DELMARVA POWER & LIGHT COMPANY

BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION
REBUTTAL TESTIMONY OF JAY C. ZIMINSKY
DOCKET NO. 13-115

Q1. Please state your name and position.

A1. My name is Jay C. Ziminsky. I am Manager, Revenue Requirements, in the Regulatory Affairs Department of Pepco Holdings, Inc. (PHI). I am testifying on behalf of Delmarva Power & Light Company (Delmarva or the Company).

Q2. Did you previously submit testimony in this case?

A2. Yes. I previously submitted Direct Testimony in this proceeding.

Q3. What is the purpose of your Rebuttal Testimony?

A3. The purpose of my Rebuttal Testimony is to address issues raised by Division of Public Advocate (DPA) Dismukes in his Direct Testimony in regard to attrition. In addition, I address certain recommendations proposed by DPA Witness Andrea Crane and Public Service Commission (Commission) Staff Witnesses David Peterson in their Direct Testimonies. My Rebuttal Testimony also identifies those adjustments proposed by the Company that are uncontested and those that are contested. With respect to the contested adjustments, I will provide the Company's rebuttal to the positions offered by Staff and DPA.

This Rebuttal Testimony was prepared by me or under my supervision and control. The sources for my testimony are Company records, public documents, and my personal knowledge and experience.

Attrition and the Opportunity to Earn its Authorized Return on Equity

Q4. On Page 5 of his Direct Testimony, DPA Witness Dismukes criticizes the Company for not providing an attrition analysis in its Direct filing to support any post-test year adjustments. Please define attrition in terms of utility ratemaking.

A4. Attrition represents the financial erosion of a utility's rate of return on its investment. An analysis of attrition should examine the imbalances between revenues, expenses and rate base. In this section, I will provide recent information related to these attrition-related items to assess their impact on the Company's recent earnings performance.

Q5. What are the causes of attrition?

A5. Attrition occurs when the regulatory triad (revenues, expenses and rate base) is not in balance. In recent times, attrition is mainly attributable to the growth in costs for expenses and rate base outpacing growth in revenues. This scenario is the case with Delmarva, as it has been unable to earn its authorized return on equity (ROE) as a result of the regulatory lag of the recovery of its costs in the traditional cost of service ratemaking process.

Q6. How have Delmarva's recent earned returns on equity compare to its authorized returns on equity for those same years?

A6. As shown below in Table 1, Delmarva has earned return ROEs from 2008 – 2012 ranging from 4.78% to 9.26% (average of 6.59%) compared to authorized ROEs for that same period ranging from 9.75% - 10.00% (average of 9.95%). For each year during that period, the ROE deficiency (authorized ROE less earned ROE) ranged from 0.74% 0 5.22% (average of 3.36%).

Table 1

Year	Earned ROE	Authorized ROE	Rev Deficiency (Excess) Millions
2008	9.26%	10.00%	\$2.6
2009	5.11%	10.00%	\$17.0
2010	8.23%	10.00%	\$7.2
2011	4.78%	10.00%	\$25.1
2012	5.59%	9.75%	\$23.8

The low earned ROEs reflect the attrition resulting from the imbalance of Delmarva's revenues (driven by customer counts and sales), expenses (driven by Operation and Maintenance (O&M) expenses) and rate base (driven by plant in service).

Q7. In regard to factors that influence Delmarva's revenue, what has been the Company's recent history in terms of its change in its customer counts?

A7. Delmarva's customer count growth over the past five years has displayed a slight increase (average increase of 1,103 customers or 0.4% per year) as shown in Table 2.

Table 2

Year	Average Customer Count for Year	Customer Count Increase	Customer Increase %
2008	298,235	1,564	0.5%
2009	298,953	719	0.2%

2010	300,258	1,305	0.4%
2011	301,343	1,085	0.4%
2012	302,187	844	0.3%

Q8. In regard to customer usage, what has been Delmarva's recent history in terms of its weather-adjusted sales?

A8. Delmarva's weather-adjusted sales growth over the past five years has decreased (average decrease of 0.118 TWh or 1.3% per year) as shown in Table 3.

Table 3

Year	Year-End Sales (TWh)	Sales Increase (TWh)	Sales Increase %
2008	8.646	(0.277)	(3.1)%
2009	8.345	(0.301)	(3.5)%
2010	8.245	(0.100)	(1.2)%
2011	8.437	0.192	2.3%
2012	8.335	(0.102)	(1.2)%

Q9. In looking at Delmarva's weather-adjusted usage per customer growth, please describe how it has been trending.

A9. Delmarva's monthly weather-adjusted usage per customer over the past five years has declined (average decrease of 41 KWh/month or 1.7% per year) as shown in Table 4.

Table 4

Year	Sales/Customer (KWh/Month)	Sales/Customer Increase (KWh/Month)	Sales/Customer Increase %
2008	2,415	(91)	(3.6)%
2009	2,326	(89)	(3.7)%
2010	2,288	(38)	(1.6)%
2011	2,333	45	2.0%
2012	2,299	(34)	(1.5)%

Q10. Please summarize Delmarva's recent weather-adjusted revenue growth.

A10. Delmarva's Delaware Distribution weather-adjusted revenue over the past five years has declined (average annual decrease of $26.7 million or 4.4% per year).

Table 5

Year	Revenue ($ Million)	Revenue Increase	Revenue Increase %
2008	$667.3	$13.7	2.1%
2009	$594.5	$(72.8)	(10.9)%
2010	$573.9	$(20.6)	(3.5)%
2011	$559.7	$(14.2)	(2.5)%
2012	$519.9	$(39.8)	(7.1)%

Q11. Please summarize Delmarva's recent weather-adjusted revenue per customer growth.

A11. As shown in Table 6, Delmarva's average monthly weather-adjusted revenue per customer has been declining (average decreases during the period of $8.04/month or 4.7%).

Table 6

Year	Monthly Revenue/Customer	Monthly Revenue/Customer Increase	Monthly Revenue/Customer Increase %
2008	$186.46	$2.87	1.5%
2009	$165.72	$(20.74)	(11.1)%
2010	$159.28	$(6.44)	(3.9)%
2011	$154.78	$(4.50)	(2.8)%
2012	$143.37	$(11.41)	(7.4)%

Q12. In conclusion, please summarize Delmarva's recent customer count, sales and revenue growth.

A12. During the past five years, Delmarva's Delaware Electric Distribution customer count has remained fairly flat while sales and usage per customer have declined. As a result, Delaware Electric Distribution revenue, absent approved revenue increases, has also declined over the same period.

Q13. Turning to the expense portion of the regulatory triad, what has been Delmarva's recent history in terms of its O&M expenses?

A13. Delmarva Delaware Distribution per books O&M expenses have been increasing over the last five years (average increase of $6.252 million or 7.6%) as shown in Table 7:

Table 7

Year	O&M ($ Mil)	O&M Increase ($ Mil)	O&M Increase %
2008	$76.932	$4.990	6.9%
2009	$87.263	$10.330	13.4%
2010	$96.781	$9.518	10.9%
2011	$98.308	$1.527	1.6%
2012	$103.204	$4.896	7.6%

Increases in O&M have primarily been driven by storm restoration efforts as well as inflation-related items.

Q14. Turning to the final part of the regulatory triad, what is Delmarva's recent history been in terms of its rate base growth?

A14. Delmarva's per books average rate base has steadily grown over recent years (average annual increase of $48.0 million or 10.1%) as shown in the below table:

Table 8

Year	Rate Base Average ($Mil)	Rate Base Increase	Rate Base Increase %
2008	$412.0	$14.2	3.6%
2009	$425.7	$13.7	3.3%
2010	$490.1	$64.4	15.1%
2011	$572.6	$82.5	16.8%
2012	$638.0	$65.5	11.4%

Q15. In terms of its rate base growth, how has Delmarva's net plant in service changed over the same period?

A15. Delmarva's per books net plant in service has steadily grown over recent years (average annual increase of $39.2 million or 7.1%) as shown in the below table.

Table 9

Year	Plant in Service Average ($Mil)	Plant in Service Increase	Plant in Service Increase %
2008	$511.9	$35.7	7.5%
2009	$542.3	$30.4	5.9%
2010	$582.2	$39.9	7.3%
2011	$633.5	$51.3	8.8%
2012	$672.2	$38.7	6.1%

As discussed in the Direct Testimony of Company Witness Maxwell, the driver of the plant in service increases relate to reliability-driven projects, as opposed to customer-driven projects which are driven by the customer counts previously discussed. These reliability projects have resulted in improved reliability metrics that Company Witness Maxwell also discussed in his Direct Testimony.

Q16. What are your conclusions in regard to Delmarva's regulatory triad of revenue, expenses and rate base?

A16. There is an imbalance in Delmarva's regulatory triad as the Company's revenue growth continues to be muted with minimal customer count growth coupled with declining customer usage. On the other hand, expenses and rate base continue to grow as Delmarva provides safe and reliable service to its customers. Delmarva continues to face attrition as its expense and rate base growth continues to outpace its revenue growth.

Q17. Is it the Company's expectation that these past trends will continue through 2014?

A17. Yes, the Company's forecast continues to show increased capital spend, increasing O&M expense and a limited sales increase. These factors will continue to exert pressure on the Company to have a reasonable opportunity to earn its authorized return on equity.

Q18. Would the use of a fully forecasted test period matching the first year that new rates would be in effect the most appropriate way to establish rates?

A18. Yes. The use of a fully forecasted test period synchronized to the first year that new rates would be in effect would be the appropriate method to have the triad of sales, expense and rate base matched up to develop the appropriate cost of service.

Q19. In the absence of using a fully forecasted test period matching the first year that new rates are in effect, what has this Commission approved in its recent decisions related to reliability-related plant additions?

A19. The Commission has allowed the inclusion of reliability plant additions that have actually been placed in service, serve existing load and provide a reliability function in the cost of service in its recent decisions. This practice has matched the benefits existing customers have realized to the associated costs to provide that service.

Q20. Has the inclusion of reliability-related plant additions in cost of service provided the Company an opportunity to earn its authorized return on equity?

A20. While the inclusion of reliability-related plant additions in the Commission's ordered revenue requirement has certainly helped the Company's earned return on equity approach its authorized return on equity as well as, more importantly, matching the benefits customers realize to the associated cost to provide that service, the information previously discussed in this testimony highlights that the Company has not come close to earning its authorized return on equity.

Q21. What are the consequences of the Company consistently earning significantly less than it authorized return on equity?

A21. Over time, the Company's inability to come close to earning its authorized return on equity will have consequences. The Company's ability to compete in the financial markets will put the Company in a position of competitive weakness to those companies that are not in a similar situation. In addition, certainly the Company will undertake additional reviews of all components of cost of service. While the Company does in the normal course of business continue to look for efficiencies, more dramatic steps could be required to more closely align components of cost of service to the approved revenues that will allow the Company to have the opportunity to earn its authorized return on equity.

Q22. What are your conclusions associated with the Company's ability to have an opportunity to earn its authorized return on equity?

A22. There is little question that the relationship of rate base, expense and revenues has been out of synchronization. With extremely limited customer growth (and the associated sales revenue growth), continued increases in rate base and expense (primarily related to reliability spend) have driven down the Company's earned return on equity. While the Commission's inclusion of post-test period reliability plant additions in the approved revenue requirement has certainly helped to moderate this erosion of return on equity over the extremely short-term, the pressure on the equity return from continued reliability capital spend and increasing expense does not provide the Company with an opportunity to earn its authorized return on equity. The best method to correct for the on-going imbalance of revenues, expenses and rate base is to use a projected test period matching the first year that distribution rates would become effective.

<u>Uncontested Adjustments Summary</u>

Q23. Can you identify your proposed adjustments that are uncontested by the parties?

A23. Yes, I can. The adjustments proposed in my Direct Testimony that are uncontested by the parties include the following:

- Adjustment No. 1 – Rate Change from Docket No. 11-528;
- Adjustment No. 2 – Weather Normalization;
- Adjustment No. 3 – Bill Frequency;
- Adjustment No. 6 – Injuries & Damages Expense Normalization;
- Adjustment No. 7 – Uncollectible Expense Normalization;
- Adjustment No. 9 – Remove Employee Association Expense;
- Adjustment No. 11 – Removal of Executive Incentive Compensation;
- Adjustment No. 12 – Removal of Certain Executive Compensation;
- Adjustment No. 13 – Storm Restoration Expense Normalization;

- Adjustment No. 17 – Proform Advanced Metering Infrastructure (AMI) O&M Expenses;
- Adjustment No. 18 – Proform AMI O&M Savings;
- Adjustment No. 19 – Proform AMI Depreciation & Amortization Expense;
- Adjustment No. 25 – Normalize Other Taxes;
- Adjustment No. 27 – Amortization of Actual Refinancing Costs;
- Adjustment No. 28 – Remove Qualified Fuel Cell Provider Project Costs;
- Adjustment No. 30 – Remove Post 1980 Investment Tax Credit (ITC) Amortization;
- Adjustment No. 32 – Removal of Renewable Portfolio Standards (RPS) Labor Charges; and
- Adjustment No. 33 – Interest Synchronization (in concept).

<u>**Contested Adjustments Summary**</u>

Q24. Can you identify your proposed adjustments that are contested by the parties?

A24. Yes, I can. The adjustments proposed in my Direct Testimony that are contested by the parties include the following:

- Adjustment No. 5 – Normalize Regulatory Commission Expense;
- Adjustment No. 8 – Proform Wage and Federal Insurance Contributions Act (FICA) Expense;
- Adjustment No. 10 – Proform Benefits Expense;

- Adjustment No. 14 – Reflect Integrated Resource Planning (IRP) Recurring Expense;
- Adjustment No. 15 – Amortize IRP Deferred Costs;
- Adjustment No. 16 – Amortize Request for Proposal (RFP) Deferred Costs;
- Adjustment No. 20 – Amortize Dynamic Pricing Regulatory Asset;
- Adjustment No. 21 – Proform Dynamic Pricing O&M Expenses;
- Adjustment No. 22 – Proform Dynamic Pricing Amortization Expense;
- Adjustment No. 23 – Amortize Direct Load Control Regulatory Asset;
- Adjustment No. 24 – Annualize Depreciation on Year-end Plant;
- Adjustment No. 26 – Proform Actual Reliability Closings (January 2013 - December 2013);
- Adjustment No. 29 – Amortize Medicare Subsidy Deferred Costs; and
- Adjustment No. 34 – Cash Working Capital (CWC).

The following adjustment is discussed in the Rebuttal Testimony of Company Witness Boyle:

- Adjustment No. 31 – Recover Credit Facilities Expense.

Other Post-Employment Benefits Expense

Q25. Are there any new adjustments proposed by the Company?

A25. Yes. Based on events that have occurred since the filing of my Direct Testimony and detailed later in my Rebuttal Testimony, the Company proposes the following new adjustment that lowers the Company's overall revenue requirement:

- Adjustment No. 35 - Proform Other Post-Employment Employee Benefits (OPEB) expense.

<u>Summary of Adjustments Proposed by the Other Parties</u>

Q26. Are there any adjustments recommended by the other parties in their Direct Testimonies which were not proposed by the Company?

A26. Yes, there are. DPA and Staff have each proposed additional adjustments to the Company's test period levels of expense and its rate base. The Company contests these adjustments and each of them will be addressed separately below. The adjustments being proposed by the other parties include:

- Removal of Construction Work in Progress (CWIP) from Rate Base and Allowance for Funds Used During Construction (AFUDC);
- Adjust/Remove Prepaid Insurance from Rate Base;
- Remove all or a portion of Non-Executive Incentive Compensation and related Payroll Taxes;
- Adjust Cash Working Capital Balance;
- Remove Prepaid Pension Asset and OPEB Liability;
- Adjust Relocation Expenses;
- Remove Supplemental Executive Retirement Plan (SERP) Expenses;
- Remove Corporate Governance Expenses;
- Remove Meals & Entertainment Expenses;
- Remove Membership Dues Expense;

- Reflect Test Period Average Rate Base (and its related impact on Adjustments No. 4 - Year End Customers and No. 24 – Annualization of Depreciation on Year-End Plant); and
- Adjust Revenue Conversion Factor.

Revenue Requirement Summary

Q27. Have you quantified the revenue requirement based on the Company's position as described in its Rebuttal Testimony?

A27. Yes. I have quantified the revenue requirement of the Company's rebuttal positions. I have prepared Schedule (JCZ-R)-1 to compare the various parties' positions on all of the issues and the respective resulting revenue requirements. On Schedule (JCZ-R)-1, Pages 1 and 2, I have identified uncontested and contested items to better highlight the positions. For the Company's rebuttal position, its proposed revenue requirement is $38.976 million as shown on Schedule (JCZ-R)-1, Page 3.

Q28. Please provide an overall comment on the revenue changes recommended by the Staff and DPA.

A28. Staff and DPA's recommendations, if adopted, these proposals would have a negative effect on the Company and its customers. If adopted, these proposals would likely be viewed negatively by both the financial community and rating agencies. Specifically, many of the Staff's and DPA's proposals fail to recognize the Commission's practice of accepting reasonably known and measurable changes necessary to make the test period representative of the rate-effective period. Both Staff and DPA have offered revenue requirements, which, if accepted, would effectively guarantee that the Company would not be given a reasonable opportunity to recover its cost of providing service and to earn its authorized rate of return during the period that rates become effective from this proceeding.

Q29. Can you discuss the Commission's past practice related to adjustments of test period data?

A29. Yes, I can. This Commission has consistently allowed reasonably known and measurable adjustments to the test period to provide a level of cost of service that would be representative of the rate-effective period. For example, in Docket No. 91-20, the Hearing Examiner in his report on page 31 addressed the merits of adjustments that were offered by the Company in order to ensure that the costs upon which rates are set reflect the costs during the rate-effective period. The Hearing Examiner ruled that:

> *The Company argues, and I agree, that such [out of period] adjustments "assure that the data utilized to set rate levels is representative of the costs of utility operations during the rate effective period."*

The Commission confirmed that such adjustments are appropriate in its order in that proceeding (Order No. 3389) on page 29:

> *First, the Hearing Examiner acknowledged that this Commission has frequently allowed out-of-period adjustments under certain circumstances when the adjustments are known and measurable and when the changes are of such magnitude that the test period will no longer be representative of the utility's operations.*

The Commission further noted that support for known and measurable adjustment can be found in the Commission's Minimum Filing Requirements (MFR), which allow "a utility may adjust known and measurable changes to future rate base items."

Q30. How do the Commission's MFR support known and measurable adjustments to the test period data?

A30. MFR Part A, Section 1.3 provides that:

> *Modifications in test period data occasioned by reasonably known and measurable changes in current or future rate base items, expenses (i.e., labor costs, tax expenses, insurance, etc.) or revenues may be offered in evidence by the utility at any time prior to its filing of rebuttal evidence....*

The Commission's MFR recognize the importance of adjusting actual data for known and measurable changes to assure that the data used to set rate levels is representative of the costs of utility operations during the rate effective period.

<u>Contested Adjustments</u>

<u>Adjustment No. 5, Regulatory Commission Expense Normalization</u>

Q31. Please describe the adjustment made to normalize the Company's Regulatory Commission Expenses.

A31. In my Direct Testimony, I proposed an adjustment to normalize regulatory commission expenses. Consistent with the treatment approved in Docket Nos. 94-22, 03-127, 05-304 and 09-414, the amount expensed in the test period was adjusted for two items. The first item normalizes the test period level of expense using a three-year average. The second item adjusts the test period level of expense to reflect the cost of this filing, which includes the costs of Staff, amortized over a three-year period with the unamortized balance included in net base. This adjustment results in a $85,345 decrease to test year earnings and remains unchanged from my Direct Testimony in which it is detailed on Schedule (JCZ)-4.

Q32. Do Staff and DPA agree with the Company's Regulatory Commission Expense adjustment?

A32. No, not completely. The parties agree on some issues and not on others. The parties agree on the amount used in the normalization of non-base case expense using the historic three-year period. The parties also agree with the use of a three-year period to recover the cost of this proceeding. The parties differ on the amounts to be recovered for this case. The parties also disagree with the inclusion of the unamortized balance of rate case expense in rate base. Schedule (JCZ-R)-1, Page 2 provides a comparison of the parties' position on this issue.

Q33. What is Staff Witness Peterson's position on this adjustment?

A33. Staff Witness Peterson disagrees with the Company's adjustment stating first and foremost that the estimated costs of the proceeding do not represent a known cost at this time. Citing a chart listing the costs associated with the Company's last three proceedings, he notes that the costs are variable regardless of whether the cases are settled or litigated. As such, Staff Witness Peterson takes the position that until he has a better understanding of what the Company's costs will be, a normalization of the Company's last three rate case costs may be a better approach.

Q34. What is DPA Witness Crane's position on this adjustment?

A34. DPA Witness Crane asserts that the Company's claim is "excessive" and suggests that this notion is "especially true" when looking at the Company's cost of capital services. DPA Witness Crane accepts the Company's proposal to use a three-year normalization period for the rate case costs associated with the current proceeding and recommends that the PSC utilize an average of Delmarva's costs in its last three base rate electric proceedings.

Q35. Please comment on DPA Witness Crane's use of an average level of past rate case expenses to set the rate case expense level for this proceeding.

A35. The appropriate level of rate case expenses for this proceeding for which the Company should be allowed to recover is the level that the Company expects to incur to present its case. The average proposed by DPA Witness Crane has no relationship to the expected level of costs as her average contains a mix of litigated and settled cases.

Q36. You stated that both Staff Witness Peterson and DPA Witness Crane oppose including the unamortized balance of regulatory commission expense in rate base. Do you agree with their positions?

A36. No, I do not. The costs incurred by the Company related to regulatory proceedings, like this case, are required and necessary costs that the Company has and will actually incur prior to the Commission issuing an order in this proceeding. As a regulated Company, Delmarva is required to engage in a rate case if it seeks any adjustments to its rates, including the recovery of costs associated with investments that have and will be made by the Company in order to continue to provide safe and reliable service to its customers. The costs incurred with such proceedings are a required cost of doing business that must be included in the final revenue requirement in this proceeding. Customers benefit from this review of the Company's cost of service. To include the unamortized amount in rate base associated with these costs merely recognizes that the Company has advanced that money in its normal course of business and should be compensated for that length of time until it is fully recovered. While the Company believes that a more formulaic approach to setting rates could be

- The actual wage increase of 2.00% for International Brotherhood of Electrical Workers (IBEW) Local (LU) 1238 effective in February 2012 for 1 month;
- The actual non-union wage increase of 3.00% effective March 2012 for 2 months;
- The actual wage increase of 2.00% for IBEW Local 1307 effective in June 2012 for 6 months;
- The actual wage increase of 2.25% for IBEW Local 1238 effective in February 2013 for 12 months;
- The actual non-union wage increase of 3.00% effective March 2013 for 12 months;
- The actual wage increase of 2.25% for IBEW Local 1307 effective in June 2013 for 12 months;
- The actual wage increase of 2.50% for IBEW Local 1238 effective in February 2014 for 9 months;
- An estimated non-union wage increase of 3.00% effective March 2014 for 8 months; and
- The actual wage increase of 2.50% for IBEW Local 1307 effective in June 2013 for 4 months.

These wage increases have been applied to the Company's test period salaries and wages to be reflective of the rate effective period, November 2013 through October 2014. This adjustment, which in my Rebuttal Testimony reflects updates to use the actual terms of the four-year contracts with both IBEW Local 1238 and 1307 that have been finalized since the Company's direct filing in this proceeding, is detailed on Schedule (JCZ-R)-2, page 1 and reflects a decrease of $1,173,236 to test period earnings. Schedule (JCZ-R)-2, page 2 provides supporting documentation for this adjustment.

Q39. What is Staff Witness Peterson's position on this adjustment?

A39. Staff Witness Peterson adjusts the Company's wage and FICA expense claim embedded in its revenue requirement. In support of his adjustment, he removes all of the forecasted, non-contractual wage increases citing that they are "speculative" while accepting the contractually obligated IBEW Local 1238 wage increases. He removes the 2013 and 2014 wage increases associated with IBEW Local 1307 as "speculative" citing the fact that the Company had not completed contract negotiations. In addition, he removes the non-union wage increase of 3.00% effective in March 2014 for non-union employees.

Q40. What is DPA Witness Crane's position on this adjustment?

A40. DPA Witness Crane recommends that only those salary and wage increases that occurred during the test year be included in the Company's revenue requirement, with them being annualized to reflect what the Company's salaries and wages would have been had the increases been in effect for an entire year. In other words, DPA Witness Crane recommends that all post-test year increases be excluded from the Company's revenue requirement stating that it distorts the regulatory triad.

Q41. Can you please summarize the Commission's past practice as it relates to the treatment of wage and FICA expense for rate-setting purposes?

A41. Yes. The Commission has consistently recognized that reasonably known and measurable price changes, such as this wage and FICA adjustment, are to be included in the determination of the appropriate revenue requirement. Reflecting reasonably known and measurable cost changes allows the Commission to ensure that rates are reflective of the Company's costs during the rate-effective period. It is consistent with prior Commission practice to adjust the test period to properly reflect, as closely as practical, the conditions that will exist during the rate effective period, which is the first year the new rates are in effect.

Q42. Has the Commission issued any decisions that address this issue?

A42. Yes. The Commission provided guidance on this issue on page 82-83 in Order 3389 in Docket No. 91-20. The Commission stated:

> *154. The OPA did not object to Delmarva's adjustments for wage increases during the test period. Consistent with its strict adherence to the test period concept, however, the OPA recommended that the out of period December 1991 wage increase be disallowed. The OPA's adjustment increased Delmarva's test period earnings by approximately $409,000.*
>
> *155. <u>Discussion.</u> The Hearing Examiner recommended that the OPA's proposal be rejected for the same reasons he expressed in rejecting the Tall Stack issue. As with the Tall Stack, the costs associated with the December 1991 wage increase were known and ascertainable, and were of such magnitude as to significantly affect Delmarva's ability to earn its authorized rate of return during the rate effective period. The OPA again pressed its arguments on exceptions. We agree with the Hearing Examiner, however, and adopt his recommendation on this issue.*

The Commission ruled on this issue again on pages 51-54 in Order No. 6930 in Docket No. 05-304. The Commission stated:

> *112. **Discussion and Decision.** We are sympathetic to the DPA's argument regarding how far outside the test period these adjustments go. However, we recognize that several of the adjustments relate to contractually-required wage and salary increases that the Company is not free to ignore and which are known and measurable. We also recognize that the Company has reflected*

> *the effects of the wage and salary increases through the rate effective period rather than putting the full annualized effect of all of the increases into its expenses. Therefore, for these reasons and the reasons set forth by the Hearing Examiner, we adopt the Hearing Examiner's findings and recommendations.*

It should be noted that in Docket No. 05-304, the Commission approved estimated non-union wage increases that were similar to the Company's position in this proceeding.

In Docket No. 09-414, the Commission on page 41 of Order No. 8011 once again allowed for post-test period wage and salary increases to be reflected in cost of service:

> *106.* ***Discussion.*** *We are sympathetic to the position that several of the increases take place far outside the selected test period. However, this seems to be one of those adjustments that the Delmarva Power decision would require us to consider in determining the cost of service. The wage increases at issue here are reasonably known and measurable, and their inclusion in the cost of service is more representative of the period during which rates set here will be in effect. The June 2009 wage increase took effect shortly after the close of the test period, and the March 1, 2010 increase took effect during the course of this case. And while we are not considering the fact that Delmarva reached new collective bargaining agreements with its unions since it is not part of the record, we do observe that in prior cases union contracts have included annual wage increases. See Delmarva Power, Docket No. 05-304. Thus, we reject the Hearing Examiner's recommendation, and approve Delmarva's request to include all of these wage increases in its cost of service. (Unanimous).*

Q43. Are the wage increases that DPA Witness Crane opposes here reasonably predicted based on history?

A43. Yes. The recent wage increases experienced by the Company over the last 8 years are as follows:

	LU 1238	LU 1307	Non-Union
2013	2.25%	2.25%	3.00%

2012	2.00%	2.00%	3.01%
2011	2.00%	2.00%	3.01%
2010	0.00%	0.00%	3.09%
2009	3.00%	3.00%	0.00%
2008	3.00%	3.00%	3.60%
2007	3.25%	3.25%	3.49%
2006	3.25%	3.25%	3.31%
2005	3.50%	3.50%	3.34%

The future known LU 1238 and LU 1307 increases and forecasted non-union increase are consistent with the history of wage increases that I have identified above. Approval of the forecasts in this proceeding is consistent with the recommendations of the Hearing Examiner in Docket No. 05-304 and approved by the Commission in that Docket as well as Docket No. 09-414.

Q44. Please comment on Staff Witness Peterson's and DPA Witness Crane's positions.

A44. They failed to follow Commission precedent on this issue. While some of these increases have not yet gone into effect, they are all reasonably known and measurable as they are contractually obligated or reasonably predicted based on history. The Hearing Examiner, in his decision at pages 104-105 in Docket No. 05-304, included wage increases that are either currently in effect, a result of union negotiations, or those that are reasonably predicted based on history. The Hearing Examiner concluded that he agreed with the Company that its proposed adjustment, which included wage and salary increases that were predicted based on a comparison to historical wage and salary increases, is "reasonably known and measurable" and required by the Commission's minimum filing requirements. The Commission approved the Hearing Examiner's decision.

This Commission has consistently recognized that reasonably known and measurable price changes, such as this wage FICA adjustment, are to be included in the determination of the appropriate revenue requirement. It is appropriate to adjust the test period to properly reflect, as closely as is practical, the conditions that will exist during the first year the new rates are in effect. The wage increases that I have included in this adjustment are either currently in effect or will be in effect as a result of union contracts or are reasonably predicted based on history. These wage price increases are reasonably known and measurable and, following Commission precedent, the Company's adjustment reflects the effect of these changes only through the rate-effective period.

<u>**Adjustment No. 10, Proform Benefits Expense**</u>

Q45. Please describe the adjustment made to reflect price changes related to the Company's employee medical, dental, and vision benefits program.

A45. Consistent with the treatment submitted in Docket No. 11-528 as well as the Commission's decision in Docket No. 09-414, this adjustment recognizes the increases in employee medical, vision and dental expenses expected in the rate effective period based on forecasts by the Company's expert benefits consultant, the Lake Consulting Group (Lake), which analyzes benefit cost trends each quarter in the Mid-Atlantic region. A copy of the most recent Lake study is attached as Schedules

(JCZ-R)-3 to (JCZ-R)-3.2. The study shows that annual benefit costs are forecasted to increase as follows:

- Medical: The expected Average Rate of 9.5% is as follows (average of the Company's two primary types of medical plan offerings – Health Maintenance Organization (HMO) [9.4%] and Preferred Provider Organization (PPO) [9.6%]). HMO survey range is 8.3% - 12.0%. PPO survey range is 7.6% - 12.0%;
- Dental: Average Rate is 6.1%. Survey range is 5.0% - 7.8%;
- Vision: Average Rate is 6.1% (not specifically tracked in Lake study; however; Lake notes that these cost trends generally follow dental cost increase trends).

The Company is using the rates stated below for its projection of benefit costs for financial forecasting purposes. The Company is including these same rates in its projection of benefit expenses. The medical, dental, and vision increases requested by Delmarva are as follows:

- Medical: 8.00%
- Dental: 5.00%; and
- Vision: 5.00%

The adjustment remains unchanged from my Direct Testimony. As shown in Schedule (JCZ)-9, the adjustment reflects a decrease of $318,199 to test period earnings.

Q46. What is Staff Witness Peterson's position on this adjustment?

A46. Staff Witness Peterson disagrees with the Company's adjustment, stating that the adjustment is not based on "known cost changes." He then goes on to suggest that knowing only the general trend in healthcare costs, as provided by the Lake survey, does not provide enough information to qualify as a "known change." In a further attempt to substantiate his position, he notes that the Company's employee benefits are provided through self-insurance, a method of risk management whereby the Company's expenses depend on the number and types of claims, in addition to any cost changes. Staff Witness Peterson reverses the Company's adjustment given the above points as well as his opinion that the adjustment is speculative in nature.

Q47. What is DPA Witness Crane's position on this adjustment?

A47. DPA Witness Crane recommends that the Company's adjustment with respect to proforma medical benefits be rejected. In making her recommendation, she cites a variety of items which have led her to that conclusion. First, she states that the referenced study, on which the Company's projected cost increases are based, provides no data that is specific to Delmarva or PHI. Second, she takes objection to the fact that the study is not Delaware-specific, but based on medical premium trends in Virginia, Maryland, and the District of Columbia. Third, she states that the use of general cost trends does not rise to the level of a known and measurable change. Finally, she states that the Company is self-insured and thereby will experience some variation with respect to expenses depending upon the amount of services required during the course of each year.

Q48. Has the Commission addressed the issue of the known and measurable nature of these benefit costs in past proceedings?

A48. Yes. The Company in Docket No. 09-414, Order No. 8011, included a similar adjustment that was based on a study prepared by Lake Consulting. In that case, the Commission adhered to its practice of adjusting test period cost levels to reflect future out of period changes. In Docket No. 09-414, the Commission held:

> *The proposed increase for medical, dental and vision expense is reasonably known and measurable and more accurately reflects the costs that Delmarva will incur in the future to provide these benefits. We are bound by Delaware law requiring that rates be just and reasonable not only at the time we are setting them, but for some period thereafter (within reason, of course). Thus, we approve the adjustment to increase medical, dental and vision expense. (Unanimous).*

Q49. Are these changes to benefits expense reasonably known and measurable?

A49. Yes. In order for the Company to determine the level of cost increase which must be factored in to provide benefits, the Company consults with its benefits expert, Lake Consulting, Inc., which performs a quarterly survey of six major healthcare benefit providers in the Mid-Atlantic region, and asks for the trends that those providers are using to project cost claim changes for the upcoming year. The most recent Lake study survey letter is provided in Schedule (JCZ-R)-3, with quarterly summary data provided in Schedule (JCZ-R)-3.1. These trends, which are forecast by actuarial experts working in the healthcare industry, afford a reasonably known and measurable estimate of how benefit costs will change over the course of the year. According to the Lake survey in the 3rd quarter of 2013, which is provided in Schedule (JCZ-R)-3.2, the companies surveyed showed a mean trend of 8.8% for HMO, 9.5% for PPO, and 6.0% for Dental. The Lake survey also showed median percentages of 9.0% for HMO, 9.0% for PPO, and 5.5% for Dental. The Company has adjusted for the increased benefit costs that it can expect to incur during the rate effective period.

Q50. Has the Company included in its adjustment the largest projected increases afforded by the Lake survey?

A50. No. The Company has chosen more conservative cost increases than either the median or mean cost trend afforded by the survey. The Company's medical cost increase of 8% is lower than both the mean and median and its 5% cost increases for dental and vision are in the low range of trends reported in the Lake survey.

Q51. Please comment on DPA Witness Crane and Staff Witness Peterson's respective positions on this adjustment.

A51. The concerns of Staff Witness Peterson and DPA Witness Crane are unmerited. The suggestion that the Company will not experience cost increases with respect to healthcare benefits because it is self-insured is speculation and inconsistent with past experience of the Company. Given the Company's use of a self-insured plan, the Company uses its business judgment as well as industry data provided by Lake Consulting, Inc., to estimate the increase in benefit costs over the rate effective period. The Company's proposed increases are reasonably known and measurable, supported by industry data, and are best representative of the increased costs the Company will likely incur over the rate effective period. In addition, the Company has chosen to incorporate increases below the surveyed average in its Company forecasts and revenue requirement. The Commission should reject the adjustments proposed by DPA Witness Crane and Staff Witness Peterson as inconsistent with the ratemaking treatment approved by the Commission relating to the Company's similar benefit adjustment in Docket No. 09-414.

Q52. Are the Company's proposed adjustments in this case supported by the Company's actual history of medical, dental, and vision expenses?

A52. Yes. The annual changes over the last five years in total Company benefit costs are as follows:

	Medical	Dental	Vision
2012	18.30%	8.15%	2.38%
2011*	-8.11%	-1.06%	-8.57%
2010	6.11%	7.73%	13.15%
2009	13.48%	0.11%	22.66%
2008	4.60%	8.55%	4.03%
5 Yr. Avg.	6.88%	4.69%	6.73%
4 Yr. Avg.*	10.62%	6.13%	10.56%

The declines in 2011 changes were driven by reduced headcounts resulting from the Organizational Review Process that reviewed and realigned resources after the 2010 divestiture of Conectiv Energy. In that regard, a 4-year average (excluding 2011 results) is also shown. The benefit increases (8% - medical, 5% dental, 5% - vision) generally fall within the ranges set by the 5-year and 4-year adjusted averages.

Q53. Please summarize the Company's rebuttal position to proform Benefits expense.

A53. In Docket No. 09-414 Order No. 8011, the Commission approved the Company's adjustment, which was based on the Lake survey which also serves as the basis for the adjustment proposed in this case.

Given the self-insured nature of the Company's benefits plan, the Company has the risk of cost claim increases associated with the Company's medical, dental, and vision benefits. Through the benefit cost survey provided by the Company's benefit consultant, Lake Consulting Inc., the Company chose cost increases below the average by assessing the survey in conjunction with its own business judgment and further uses the Lake study for its own financial forecasting purposes. The Company's adjustment is consistent with prior precedent. The Commission should accept the Company's adjustment which reflects the increasing costs of providing medical, vision, and dental benefits over the rate effective period.

Adjustment No. 14, Reflect IRP Recurring Expense.

Q54. Please describe the adjustment made to normalize recurring IRP costs.

A54. Consistent with the treatment approved in the Company's filing in Docket No. 09-414, the Company proposes the normalization of its IRP recurring costs. Although the IRP process represents a two-year cycle, the costs with the cycle are not ratably incurred each year. Costs include modeling and analytical service, life cycle assessment of power options, outside legal expenses and consultant fees. This adjustment remains unchanged from my Direct Testimony. It is shown on Schedule (JCZ)-13 that summarizes this adjustment, which results in a $342,371 decrease to test period earnings.

Q55. What is Staff Witness Peterson's position on this adjustment?

A55. Although Staff Witness Peterson agrees with the notion that some allowance in rates is necessary to reflect the recurring costs incurred to prepare bi-annual IRP's, he disagrees with the estimated costs put forth by the Company, suggesting that they are "speculative" in nature. In addition to his opinion regarding the nature of the Company's estimated costs, he also believes that the tasks associated with each IRP are speculative at this time. Given the above points, Staff Witness Peterson believes a far better approach is to normalize the Company's actual IRP expenses over the last seven years using the Company's actual average annual expense.

Q56. What is DPA Witness Crane's position on this adjustment?

A56. DPA Witness Crane disagrees with the Company's claim and suggests that it is speculative and does not represent a "known and measurable change" to the actual Test Year results. Additionally, DPA Witness Crane suggests the Company's claim is not supported by "reliable" and "quantifiable" data, citing that over 50% of the claim relates to consultants, outside legal counsel, and special studies. Following those points, DPA Witness Crane instead recommends that the Commission normalize these costs based on actual past experience using a three-year average (2010-2012).

Q57. Please explain Delmarva's requested normalized annual expenditure for the preparation, filing and approval of the bi-annual IRP.

A57. As part of the Electric Utility Retail Customer Supply Act of 2006 (EURCSA), Delmarva is required to submit an IRP for Commission approval on a bi-annual basis. The first IRP submitted to the Commission under this legislative requirement was in December 2006. In 2009, the Commission approved regulations regarding the preparation, filing and approval process for subsequent IRPs. These regulations detail specific IRP analyses and information that must be filed with each IRP. The last two IRPs filed by Delmarva in December 2010 and December 2012 were prepared to meet the requirements of these regulations. The Commission also determined in the Order in Docket No. 06-241 that, other than the initial IRP, the costs associated with the preparation and reviewing of the IRP should be recovered through a normalized annual charge.

Q58. What is the basis for the amount of the normalized IRP expense requested in this proceeding?

A58. The Company has requested recovery of an annualized amount of $872,500 as detailed in Footnote 1 of Schedule (JCZ)-13 Adjustment No. 14 of my Direct Testimony. This amount includes expenditures for hiring outside consultants needed to prepare the analysis prescribed by the regulations approved by the Commission in 2009. These costs represent very significant reductions from the annualized IRP expenses of $1,875,000 requested by Delmarva in Docket No. 09-414 and $1,255,340 in Docket No 11-528.

Q59. Why have the costs associated with the IRP been declining?

A59. There are a number of reasons why this has occurred. First, the informal IRP Working Group, which includes Delmarva Power, Staff, DPA, Department of Natural Resources and Environmental Control, the Caesar Rodney Institute, the Sierra Club, Clean Air Council and other interested parties, has been very helpful in keeping the IRP focused on relevant issues and meeting the IRP requirements in less expensive ways. Second, since the IRP is prepared every two years, Delmarva has sometimes been able to leverage work from prior IRPs such as model set-up and analyses and not incur additional expenses for redoing this work. Finally, in the IRP filed in 2010, the Company was able to reach a settlement agreement that was ratified by the

Commission. This action avoided the need for an evidentiary hearing and the associated expenses.

Q60. Do you expect the annualized costs of the IRP to continue to decline?

A60. While the Company and the members of the Working Group continue to keep an eye on unnecessary expenditures, and the Company has been successful in lowering costs of IRP compliance up to this point, there is little reason to believe that these costs will continue to decline. At some point, all of the parties require the Company to update older analyses to more current conditions and Delmarva Power will need the analytical flexibility to address new important issues as they arise in order for the IRP to remain useful and relevant. Also, Commission ratification of a settlement agreement may not always occur if the parties are unable to come to an agreement and this would lead to additional expense if an evidentiary style hearing before the Commission was required. Consequently, Staff Witness Peterson's and DPA Witness Crane's recommendations to decrease the amount requested by Delmarva Power for annual recovery of on-going IRP costs should be rejected.

Q61. Do you have an alternative approach?

A61. Yes, I do. While the Company supports the level of expense expected to be incurred for this process, it would not be unreasonable to include the average amount expended for this process over the past years and establish a deferral for costs above that average amount. If the costs exceed that average amount due to items such as additional requirements imposed on the Company during the processing of the proceeding, the Company would be allowed to defer that excess amount in a regulatory asset so that it would be amortized over a prescribed period with the unamortized amount included in rate base.

<u>Adjustment No. 15, Amortize IRP Deferred Costs</u>

Q62. Please describe the adjustment made to amortize IRP deferred costs.

A62. Consistent with the treatment approved in the Company's filing in Docket No. 09-414, this adjustment reflects the amortization of deferred costs related to the Company's initial IRP. These costs were incurred beginning in August 2009 (the costs approved for recovery in Docket No. 09-414 were incurred by or before July 2009). In terms of cost recovery, Delaware Code Section 1007 (c) (1) d states:

> *"The costs that DP&L incurs in developing and submitting its IRPs shall be included and recovered in DP&L's distribution rates."*

These costs are proposed to be amortized over a 10-year amortization period with the unamortized balance included in rate base. This adjustment remains unchanged from my Direct Testimony. It is detailed on Schedule (JCZ)-14 and reflects a $57,474 decrease to test period earnings and a $6,050 increase to test period rate base.

Q63. What is Staff Witness Peterson's position on this adjustment?

A63. Staff Witness Peterson does not contest the Company's adjustment.

Q64. What is DPA Witness Crane's position on this adjustment?

A64. DPA Witness Crane disagrees with the Company's adjustment for a variety of reasons and recommends the PSC deny the Company's claim for inclusion in rate base. First, she suggests that there is nothing in the Order in PSC Docket No. 09-414 which addresses additional IRP deferrals and instead states that there was no specific authorization for deferral of these August 2009 IRP costs. Second, she quotes the

PSC in its order from Docket No. 06-241 whereby they stated, "the other initial costs incurred by Delmarva Power & Light Company in developing its IRP under the Act shall be included and recoverable in its next distribution rate case. In all subsequent cases, such costs shall be normalized as an expense in accordance with Commission practice." Finally, DPA Witness Crane suggests that the magnitude of these costs does not justify a regulatory asset or the proposed 10-year amortization period and states that the amount does not have a material impact on the Company's financial condition.

Q65. Please summarize the Company's rebuttal position to amortize IRP deferred costs.

A65. The Company proposes the amortization of the initial IRP costs incurred beginning in August of 2009 over 10 years, with the unamortized balance given rate base treatment. Furthermore, the Company has incurred these costs due to passage of the EURCSA, which mandates the filing of the Company's IRP. The law also amends 26 Del. C. § 1007 by including a provision which provides in part:

> *The costs that DP&L incurs in developing and submitting their IRP's shall be included and recovered in DP&L's distribution rates.*

Given prior precedent to amortize IRP deferred costs in Docket No. 09-414 as well as the legislative mandate to allow that the costs be "included and recovered" in the Company's cost of service, the Commission should accept the Company's adjustment. The Company's proposed adjustment to recover these costs is reasonable given that the Company was obligated to comply and has incurred carrying costs related to investor-supplied capital.

Adjustment No. 16, Amortize RFP Deferred Costs

Q66. Please describe the adjustment made to amortize RFP deferred costs.

A66. Consistent with treatment approved in the Company's filing in Docket No. 09-414, this adjustment reflects the amortization of deferred costs related to the Company's RFP (also known as the Bluewater Wind RFP) process. The RFP was part of the initial IRP process under Delaware Code Section 1007 (d) and cost recovery for IRP costs are to be recovered through the Company's distribution rates under Delaware Code Section 1007 (c) (1) d, as previously mentioned. The costs in this adjustment were incurred beginning in August 2009 (the costs approved for recovery in Docket No. 09-414 were incurred by or before July 2009). These costs are proposed to be amortized over a 10-year amortization period with the unamortized balance included in rate base. This adjustment remains unchanged from my Direct Testimony. It is detailed on Schedule (JCZ)-15 and results in a $3,028 decrease to test period earnings and a $28,764 increase to test period rate base.

Q67. What is the Company's RFP Process?

A67. Pursuant to Delaware's EURCSA, the Company was legally obligated to file a ten-year initial integrated resource plan by December 1, 2006. As part of the Company's initial IRP, the Company was required to issue a request for proposal to obtain long-term contracts by August 1, 2006 in order to stabilize the long-term outlook for the Company's Standard Offer Service. Included in the Company's solicitation for long-term contracts was a proposed form of request for proposal for new generation resources. The Company submitted a RFP for generation sources and the Commission opened Docket No. 06-241 with Order No. 7003 on August 8, 2006 to consider the RFP and to start the IRP process.

Q68. Why is the Company requesting recovery of these costs?

A68. The Commission's Order No. 7003, in paragraph 6 states that:

> *That, subject to Commission review and approval, Delmarva Power & Light Company shall be permitted to recover its incurred costs associated with the RFP process and the expense of the consultant retained by the Coordinating State Agencies for the RFP process and the evaluation of bids resulting from that process in Standard Offer Service rates in PSC Docket No. 04-391. Delmarva Power & Light Company shall be permitted deferred accounting treatment for this purpose*

Q69. What are the costs included in this adjustment?

A69. This adjustment accounts for costs incurred beginning in August 2009 that relate to the RFP process required to be filed with the initial IRP by the EURCSA. At the time of the Company's last base rate filing, these particular RFP costs were not fully known and measurable. As stated in Order No. 7003, paragraph 6, the Company is permitted deferred accounting treatment for the costs associated with the RFP and this notion has received further affirmation in the ratemaking treatment afforded in Docket No. 09-414. As such, the Company has incurred carrying costs for these RFP costs that were expended for the customers' benefit, which investors have financed. Furthermore, the Company's RFP process was mandated by the state for the benefit of the Company's customers and as such these costs are included in the Company's cost of service.

Q70. What is Staff Witness Peterson's position on this adjustment?

A70. Staff Witness Peterson does not contest the Company's adjustment.

Q71. What is DPA Witness Crane's position on this adjustment?

A71. DPA Witness Crane disagrees with the Company's adjustment for a variety of reasons and recommends that the PSC deny the Company's claim for inclusion in rate base. First, she suggests that there is nothing in the Order in PSC Docket No. 09-414 which addresses additional IRP deferrals and instead states that there was no specific authorization for deferral of these August 2009 IRP costs. Second, she quotes the PSC in its order from Docket No. 06-241 whereby they stated, "the other initial costs incurred by Delmarva Power & Light Company in developing its IRP under the Act shall be included and recoverable in its next distribution rate case. In all subsequent cases, such costs shall be normalized as an expense in accordance with Commission practice." Finally, DPA Witness Crane suggests that the magnitude of these costs does not justify a regulatory asset or the proposed 10-year amortization period and states that the amount does not have a material impact on the Company's financial condition. As the Bluewater Wind RFP was part of the Company's initial IRP, she uses the same points to support her position on this adjustment.

Q72. Please summarize the Company's rebuttal position to amortize RFP deferred costs.

A72. The Company proposes the amortization of the RFP costs incurred after August of 2009 over 10 years, with the unamortized balance given rate base treatment. Further, the EURCSA also amends 26 Del. C. § 1007 by including a provision which states that,

> *The costs that DP&L incurs in developing and submitting their IRP's shall be included and recovered in DP&L's distribution rates.*

Given prior precedent to amortize RFP deferred costs in Docket No. 09-414 as well as the legal mandate to allow that the costs be "included and recovered" in the Company's cost of service, the Commission should accept the Company's adjustment.

<u>**Adjustment No. 20, Amortize Dynamic Pricing Regulatory Asset**</u>

Q73. Please describe the adjustment made to amortize the Dynamic Pricing regulatory asset included in your Direct Testimony.

A73. In Order No. 8105 related to Docket No. 09-311, the Commission approved the Company's application to implement Dynamic Pricing that would enable customers across the state to take greater control of their electricity usage by providing a simple method by which customers can reduce consumption during certain peak periods. The AMI deployment, approved in Order No. 7420, provides the technology to enable Dynamic Pricing to be implemented. Similar to the start-up and program costs related to AMI, the costs related to the Dynamic Pricing program were deferred to a regulatory asset for future recovery purposes based on Order No. 7420. Costs include items such as customer education, Dynamic Pricing event operational costs and amortization of Dynamic Pricing-related systems. With Dynamic Pricing offered to a group of 6,904 Field Acceptance Test participants in the summer of 2012 and roll-out to all Standard Offer Service residential customers in the summer of 2013, the Company proposes that it start to recover those costs as part of this filing.

Q74. Have you modified the Dynamic Pricing regulatory asset adjustment for your Rebuttal Testimony?

A74. Yes. While keeping the same adjustment concept from my Direct Testimony, I split the adjustment for my Rebuttal Testimony so that the first adjustment (No. 20a) relates to the actual regulatory asset costs incurred through August 2013. The second adjustment (No. 20b) relates to forecasted regulatory asset costs from September 2013 through October 2013. The recurring expenses that have been deferred to date are to be included in test period O&M and amortization expenses as proposed in Adjustment Nos. 21 and 22, which is why the deferral of these costs would stop assuming the Company's proposal is approved.

Adjustment No. 20a – Amortize DP Regulatory Asset Costs Incurred through August 2013

Q75. Please describe Adjustment No. 20a – Amortize DP Regulatory Asset Costs Incurred through August 2013.

A75. As of August 31, 2013, the aggregate Dynamic Pricing regulatory asset had a balance of $5,049,437. The costs include items such as customer education, outbound calls for Dynamic Pricing events and costs for overflow customer call handling related to those events as well as amortization related to Dynamic Pricing-related systems and returns related to these various costs. In terms of relating customer benefits with those costs, customers had the opportunity to partake in the benefits of the program prior to the start of the rate effective period. After the roll-out to Standard Offer Service residential customers in 2013, the initial Dynamic Pricing event was called on July 17, 2013 with participating customers receiving approximately $775,000 in bill credits. A second Dynamic Pricing event was recently called on September 11, 2013 with participating customers also scheduled to receive bill credits related to it. Based on the timing of these customer benefits, the Company proposes a 15-year amortization period, similar to the approved amortization period of AMI regulatory assets in Docket No. 09-414, with the unamortized balance receiving rate base treatment. As shown in Schedule (JCZ-R)-4, this adjustment decreases test period earnings by $199,773 and increases test period rate base by $2,896,702.

Adjustment No. 20b – Amortize DP Regulatory Asset Costs
Incurred from September 2013 through October 2013

Q76. Please describe Adjustment No. 20b – Amortize DP Regulatory Asset Costs Incurred from September 2013 through October 2013.

A76. From September 2013 through October 2013, $821,155 of additional Dynamic Pricing expenses are forecasted to be incurred, including returns related to aggregate Dynamic Pricing regulatory asset. The types of costs forecasted to be incurred are similar to the ones previously discussed in Adjustment No. 20a. Costs are forecasted through October 2013 as Adjustment Nos. 21 and 22 propose including these costs in costs of service during the rate effective period. With these deferred expenses forecasted to be incurred before the conclusion of this proceeding and customers benefiting from the Dynamic Pricing program, the Company seeks the same cost recovery (15-year amortization with unamortized balance included in rate base) as proposed in Adjustment No. 20a. Based on recovery of these forecasted expenses, test period earnings would decrease by $28,895 and test period rate base would increase by $418,984 as shown in Schedule (JCZ-R)-4.

Q77. What is Staff Witness Peterson's position on the adjustment proposed in your Direct Testimony?

A77. Staff Witness Peterson disagrees with the Company's adjustment to begin amortizing costs associated with the Dynamic Pricing regulatory asset. Staff Witness Peterson believes the adjustment is not appropriate at this time as full deployment of the Dynamic Pricing program did not occur before or during the test period in this case. As such, the related benefits and savings to be achieved as a result of the program are not reflected in the Company's test period results. Additionally, he notes that full deployment of the program will not be completed until "well after" the end of the test period in this case. Following his points above, Staff Witness Peterson recommends that the Company continue to defer all incremental costs associated with the program until such a time when deployment is completed and the Company's files a rate case subsequent to complete deployment.

Q78. What is DPA Witness Crane's position on this adjustment?

A78. DPA Witness Crane notes that the Company relies on Order No. 7420 for authorization to defer these costs and believes that the language of that order is broad enough to encompass the Dynamic Pricing costs that are the subject of this adjustment. On a related note, however; she also believes that the order is also broad enough to permit the parties in this case to make a variety of recommendations with regard to cost recovery. DPA Witness Crane believes it is reasonable to permit the Company to reflect some cost recovery in the rates resulting from this case as the program is in the process of being deployed, albeit not yet completely deployed. As such, DPA Witness Crane recommends that the Company's rate base claim be limited to actual costs incurred through December 31, 2012.

Q79. Please summarize the Company's rebuttal position to amortize the Dynamic Pricing regulatory asset.

A79. Given the fact that customers have already received bill credit benefits related to Dynamic Pricing and would receive similar benefits during the rate effective period and beyond, the Company should begin recovery of the costs related to its Dynamic Pricing program with its proposed 15-year amortization and the unamortized balance included in rate base. This recovery would include both the actual expenses reflected in Adjustment No. 20a and the forecasted expenses reflected in Adjustment No. 20b. This ratemaking is consistent with the Commission's treatment of AMI regulatory asset recovery in Docket No. 09-414.

<u>Adjustment No. 21, Proform Dynamic Pricing O&M Expenses</u>

Q80. Please describe the adjustment made to reflect proforma incremental Dynamic Pricing O&M expenses.

A80. With the full roll-out of the Company's Dynamic Pricing program to Delaware Electric residential customers this summer, the Company proposes to have its recurring annual Dynamic Pricing-related expenses included in cost of service used to develop its base rates. Otherwise, these costs would be deferred into a regulatory asset while continuing to accrue a return with recovery of all of those costs coming at some later date. These costs include the outbound calls to customers for Dynamic Pricing events and costs for overflow customer call handling related to those events as well as related the information technology systems support. This adjustment remains unchanged from my Direct Testimony. It results in a $445,258 decrease in test period earnings as shown in Schedule (JCZ)-20.

Q81. What is Staff Witness Peterson's position on this adjustment?

A81. Staff Witness Peterson disagrees with the Company's adjustment to proform Dynamic Pricing O&M expenses. Staff Witness Peterson believes the adjustment is not appropriate at this time as full deployment of the Dynamic Pricing program did not occur before or during the test period in this case. As such, the related benefits and savings to be achieved as a result of the program are not reflected in the Company's test period results. Additionally, he notes that full deployment of the program will not be completed until "well after" the end of the test period in this case. Following his points above, Staff Witness Peterson recommends that the Company continue to defer all incremental costs associated with the program until such a time when deployment is completed and the Company's files a rate case subsequent to complete deployment.

Q82. What is DPA Witness Crane's position on this adjustment?

A82. DPA Witness Crane does not contest the Company's adjustment.

Q83. Please summarize the Company's rebuttal position to reflect proforma incremental Dynamic Pricing O&M expenses.

A83. Given the fact that customers have already received bill credit benefits related to Dynamic Pricing and would receive similar benefits during the rate effective period and beyond, these recurring expenses should be factored into Delmarva's cost of service as a normal course of doing business.

<u>**Adjustment No. 22, Proform Dynamic Pricing Amortization Expense**</u>

such a time when deployment is completed and the Company's files a rate case subsequent to complete deployment.

Q86. What is DPA Witness Crane's position on this adjustment?

A86. DPA Witness Crane does not contest the Company's adjustment.

Q87. Please summarize the Company's rebuttal position to reflect proforma incremental Dynamic Pricing amortization expenses.

A87. Given the fact that customers have already received bill credit benefits related to Dynamic Pricing and would receive similar benefits during the rate effective period and beyond, these recurring expenses should be factored into Delmarva's cost of service as a normal course of doing business.

<u>Adjustment No. 23, Amortize Direct Load Control Regulatory Asset</u>

Q88. Please describe the adjustment in your Direct Testimony made to reflect proforma Direct Load Control deferred expenses.

A88. In Order No. 8253 related to Docket No. 11-330, the Commission granted the Company the authority to establish a residential air conditioning cycling program as well as its Residential Direct Load Control rider. As part of its report filed in Docket No. 11-330, Commission Staff supported Delmarva's request that it be permitted to create a regulatory asset to recover the filed costs of the program ($25,477,246) with the carrying cost set at the current weighted cost of capital. In Order No. 8253, the Commission confirmed the establishment of a Direct Load Control regulatory asset by stating:

That the Commission confirms that the language of Order No. 7420, in which the Commission "permit[ted] Delmarva to establish a regulatory asset to *cover recovery of and on the appropriate operating costs associated with the deployment of Advanced Metering Infrastructure and demand response equipment," authorized Delmarva to establish a regulatory asset for costs incurred in implementing and monitoring the Cycling Program.*

Implementation of the Company's Direct Load Control program started late in 2012 and will continue through 2016 as shown in Schedule (JCZ-R)-5. 19,600 of the total 51,600 projected participating customers are forecasted to have their Direct Load Control switch and thermostat installed at their residences by the end of December 2013.

Q89. Have you modified the Direct Load Control regulatory asset adjustment for your Rebuttal Testimony?

A89. Yes. While keeping the same adjustment concept from my Direct Testimony, I split the adjustment for my Rebuttal Testimony so that the first adjustment (No. 23a) relates to the actual regulatory asset costs incurred through August 2013. The second adjustment (No. 23b) relates to forecasted regulatory asset costs from September 2013 through December 2013.

<u>Adjustment No. 23a – Amortize DLC Regulatory Asset Costs Incurred through August 2013</u>

Q90. Please describe Adjustment No. 23a – Amortize DLC Regulatory Asset Costs Incurred through August 2013.

A90. In terms of current Direct Load Control program information as of August 31, 2013, there have been 7,490 unit installations and the regulatory asset balance including returns is $2,358,527. These costs include equipment, operating and marketing costs. The Company proposes a 15-year recovery of this regulatory asset, similar to the period approved for AMI regulatory assets in Docket No. 09-414, with the unamortized balance receiving rate base treatment. This proposal achieves a matching of allowing recovery of actual incurred costs to accompany benefits received by customers. Schedule (JCZ-R)-5 summarizes this adjustment, which results in a $93,311 decrease to test period operating income and a $1,353,012 increase in test period rate base.

Adjustment No. 23b – Amortize DLC Regulatory Asset Costs Incurred from September 2013 through December 2013

Q91. Please describe Adjustment No. 23b – Amortize DLC Regulatory Asset Costs Incurred from September 2013 through December 2013.

A91. Between September 1, 2013 and December 31, 2013, an additional $7,536,900 of additional Direct Load Control expenses are forecasted to be incurred along with the associated returns on the Direct Load Control regulatory asset . During that same time period, 12,110 Direct Load Control device installations are forecasted with customers able to partake in the benefits of the program within that time frame and beyond similar to the 7,490 customers that have already had their Direct Load Control devices installed through August 31, 2013. Similar to Adjustment No. 23a, these costs include equipment, operating and marketing costs.

The Company proposes a 15-year recovery of this regulatory asset, similar to the period approved for AMI regulatory assets in Docket No. 09-414, with the unamortized balance receiving rate base treatment. These projected costs would be updated for actual costs during the course of this proceeding. As such, this proposal achieves a matching of allowing recovery of actual incurred costs to accompany benefits received by customers. Schedule (JCZ-R)-5 summarizes this adjustment, which results in a $298,185 decrease to test period operating income and a $4,323,681 increase in test period rate base.

Q92. What is Staff Witness Peterson's position on this adjustment?

A92. Staff Witness Peterson disagrees with the Company's adjustment and instead recommends a continued deferral of costs associated with the Company's Direct Load Control program. In support of his recommendation, Staff Witness Peterson suggests that completion of the program is "too far beyond" the end of the test year as well as the point that any benefits are not factored into the Company's test year operating results.

Q93. What is DPA Witness Crane's position on this adjustment?

A93. As implementation began in late 2012 and will continue through 2016, DPA Witness Crane believes it is premature to provide for recovery of any of the costs associated with the Direct Load Control regulatory asset as the program is still in its infancy. DPA Witness Crane recommends that the Company's claim be disallowed but that the Company continue deferral of costs and states that the parties should review these costs in a future proceeding which would better align with the expected completion of the Direct Load Control program.

Q94. Please summarize the Company's rebuttal position to reflect proforma incremental Dynamic Pricing amortization expenses.

A94. Given the fact that 7,490 customers have already had their Direct Load Control devices installed and are receiving benefits from them and 12,110 customers are forecasted to have their Direct Load Control devices installed by December 31, 2013, the Company proposes that it get recovery of those costs, both the actual costs included in Adjustment No. 23a and the forecasted costs included in Adjustment No. 23b, in a 15-year amortization with the unamortized balance included in rate base.

Adjustment No. 26, Proform Reliability Closings (January 2013 -December 2013)

Q95. Please describe this adjustment proposed in your Direct Testimony.

A95. As approved by the Commission in Docket Nos. 05-304 and 09-414, this adjustment reflects the annualization of reliability plant added to Plant in Service beyond the end of the test period. This adjustment included forecasted reliability plant closings through December 2013.

Adjustment No. 26a, Proform Actual Reliability Closings (January -August 2013)

Q96. Please describe this adjustment in comparison to the one proposed in your Direct Testimony to address post-test period reliability plant closings.

A96. In terms of Adjustment No. 26 that was proposed in my Direct Testimony, I used the same time period (January 2013 – December 2013) as a basis and separated it into two adjustments. The first adjustment, (Adjustment No. 26a in my Rebuttal Testimony) details the reliability plant closings into the months which have been updated to actuals (January 2013 – August 2013) and the second adjustment (Adjustment No. 26b) covers the period (September 2013 – December 2013) which includes investments, the majority of which will be placed into service prior to the time that the Commission issues a decision in this proceeding. The Company will provide actual reliability plant closings data updates during the course of this proceeding.

Q97. Please describe the adjustment made to reflect actual forecasted reliability plant project closings from January 2013 through August 2013.

A97. As approved by the Commission in Docket Nos. 05-304 and 09-414, this adjustment reflects the annualization of reliability plant added to Plant in Service beyond the end of the test period. The actual reliability plant additions should be included in rate base to properly synchronize the value that customers will realize during the rate effective period to the amount included in rates. As previously mentioned, the Commission approved this concept in its decision in Order No. 8011 relating to Docket No. 09-414, when it stated:

> *60. Discussion. We conclude that under the circumstances presented in this case, both the April-July 2009 and August-December 2009 reliability plant should be included in rate base. As previously discussed, we reject the DPA's strict test period construction. We agree with the Company's position that the August 2009 – December 2009 reliability closings are no different from the April 2009 – July 2009 closings. We agree with Delmarva that these costs are known and measurable, and that they are necessary to make the test period more reflective of the period during which the rates approved in this case will be in effect. See In re Delmarva Power & light Company, PSC Docket No. 91-20, 1992 Del. PSC LEXIS 15, Order No. 3389 (Del. PSC March 31, 1992) at 34. We are also persuaded that these plant additions are necessary to preserve the reliable operation of the distribution system and are not being made to serve future customers. While we note that the test period is there for*

a reason, we believe it is appropriate to include these costs in rate base based on the evidence presented. (Unanimous).

This adjustment reflects the actual reliability plant closings from January 2013 through August 2013 and is detailed on Schedule (JCZ-R)-6, page 1. It results in a decrease to test period earnings of $549,901 and an increase to test period rate base of $39,876,047. A list of the specific project closings included in this adjustment is shown in Schedule (JCZ-R)-6, page 2.

Q98. What is Staff Witness Peterson's position on this adjustment?

A98. Staff Witness Peterson disagrees with the Company's position stating that to include in rate base a forecast of post-test year plant additions constitutes a violation of the test period matching principle, or in other words, it creates a mismatch between plant investment and the revenues and expenses that result from that investment. In more specific terms, Staff Witness Peterson suggests that this adjustment "overstates" the Company's revenue deficiency and revenue requirement. He further points out various "distortions" such as the Company's lack of adjustment for depreciation reserve growth resulting from plant in service during the test year.

Q99. What is DPA Witness Crane's position on this adjustment?

A99. DPA Witness Crane disagrees with the Company's position and instead recommends that the PSC eliminate all post-test year plant additions from the Company's rate base. In support of her position, DPA Witness Crane asserts that the Company's adjustment results in a mismatch of the components of the regulatory triad used to set rates as she states the Company did not include reserve additions through December 2013 for either its deferred income tax expense reserve claim or its depreciation reserve claim. DPA Witness Crane also disagrees that the adjustment is consistent with the PSC's decision in PSC Docket No. 09-414 on the grounds that the Order states that the PSC's decision on this adjustment was issued "under the circumstances of this case." Other supporting points that DPA Witness Crane further states that these plant additions are not "known and measurable".

Q100. Please summarize your position.

A100. Based on Commission precedent and the used and useful nature of these reliability plant closings that are representative of the assets in service during the rate effective period, this adjustment should be accepted. These projects are known and measurable, are serving current customers and are used in the function of providing safe and reliable service. By not including these projects in cost of service not only is inconsistent with Commission practice but defies that fundamental relationship of matching benefits that customers realize to the associated cost of service that customers should pay.

<u>Adjustment No. 26b, Reliability Plant Closings (September 2013 – December 2013)</u>

Q101. Please describe this adjustment.

A101. As previously noted in the details related to Adjustment No. 26, this adjustment covers the post-test period reliability plant closings forecasted to occur in the period from September 2013 through December 2013. This ratemaking adjustment is shown in Schedule (JCZ-R)-7, page 1. Schedules (JCZ-R)-7, page 2 provides support for the forecasted closings associated with this adjustment. The Company will provide actual reliability plant closings data updates during the course of this proceeding.

Q102. Do Staff Witness Peterson and DPA Witness Crane support this adjustment?

A102. No. Their opposition of this adjustment stems from the fact that these reliability plant closings are forecasted to occur after the end of the test period.

Q103. Do you support the inclusion of these post-test period plant closings?

A103. Yes. These projects are reasonably known and measurable and are representative of the Company's costs during the rate effective period. As Company Witness Maxwell discusses, these projects enhance system reliability and do not generate incremental revenue. The projects are no different in character as those that are included in Adjustment No. 26a for plant closings occurring during the period January 2013 through August 2013. Approval of these investments is consistent with the Commission's practice of ensuring that the test period is representative of the Company's costs during the rate-effective period. To not include these projects in cost of service creates a disconnect between the benefits that customers are realizing during the rate effective period from the reliability plant additions and the associated costs to provide those benefits.

Adjustment No. 29, Amortize Medicare Subsidy Deferred Costs

Q104. Please describe the adjustment made to amortize deferred taxes related to Medicare subsidy costs.

A104. Similar to the adjustment proposed in Docket No. 11-528, this adjustment proposes recovery of additional taxes related to a change in the law regarding Medicare Part D. The Patient Protection and Affordable Care Act, which became law in March 2010, resulted in a deferred tax charge to the Company's Federal income tax expense. The law changes the tax treatment of federal subsidies paid to the

Company to offset the costs for certain retiree health benefits. The charge to tax expense was deferred in the financial records of the Company. The Company proposes to recover these deferred costs over a three-year period. This adjustment remains unchanged from the one proposed in my Direct Testimony on Schedule (JCZ)-28 and results in a $21,860 decrease to test period earnings as well as a $54,650 increase to test period rate base.

Q105. What is Staff Witness Peterson's position on this adjustment?

A105. Staff Witness Peterson does not contest the Company's adjustment.

Q106. What is DPA Witness Crane's position on this adjustment?

A106. DPA Witness Crane does not believe that the Company's adjustment is appropriate and recommends that the PSC deny the Company's claim. In support of her position, she states that the Company did not request or receive Commission authorization to defer these costs and therefore, there is no basis to include these past costs in prospective rates. Additionally, she suggests that permitting recovery would constitute retroactive ratemaking as the Company had not received approval to defer these costs.

Q107. Please summarize the Company's rebuttal position to amortize deferred taxes related to Medicare subsidy costs.

A107. This adjustment stems from a change in the law related to Medicare subsidy which will no longer be tax deductible. This change in the law was out of the control of the Company. In terms of the accounting for this subsidy, the Company has used the accrual method of accounting as it does for other cost of service items. There is symmetry in terms of this deferred tax accounting approach since Delmarva began to lower its rate base in the form of additional deferred tax credits in 2004 when the law granting the tax-free subsidy was first enacted even though it was not effective until 2006. Customers have received a benefit (lower rate base) from the subsidy in each Delaware base rate case since 2004. In addition, DPA did not contest the benefit of the subsidy that was passed through to customers when it was placed into effect, yet it is now proposing denying this adjustment when it does not benefit customers.

Adjustment No. 34, Cash Working Capital

Q108. Please describe the adjustment made to reflect cash working capital.

A108. This adjustment reflects the inclusion of the calculated cash working capital effect of all earnings ratemaking adjustments using the ratios supported in my Direct and Rebuttal Testimonies. Without this adjustment, the Company's cash working capital in rate base would only reflect the amount related to the per books balances. Incorporating all of the adjustments included in the Company's overall revenue requirement in its Rebuttal Testimony, this adjustment is shown on Schedule (JCZ-R)-10 and results in a $23,798 decrease to test period operating rate base.

Q109. What is DPA Witness Crane's position on CWC in Rate Base?

A109. Although DPA Witness Crane agrees on inclusion of a Cash Working Capital Requirement in the Company's rate base, she disagrees on specific lead/lag factors that are used to determine the amount included in rate base. More specifically, DPA Witness Crane recommends an adjustment to the expense lag used by Delmarva for payments to affiliated companies that reflects the actual billing provisions for affiliated transactions. DPA Witness Crane adjusts this expense lag to 30.21 days from 14.43 days by basing her calculation on a service period of 15.21 days (365 days/12/2) and a combined billing/payment lag of 15 days.

Q110. What is Staff Witness Peterson's position on CWC in Rate Base?

A110. Staff Witness Peterson agrees that a Cash Working Capital allowance is necessary to compensate investors for investor-supplied funds used to provide the day-to-day cash needs of the utility; however, he also makes a few adjustments to the Company's claim. Staff Witness Peterson disagrees with the Company's 14.43 day expense lead for payments to the affiliate Service Company and instead proposes a 35.2 day expense lead. His proposed expense lead of 35.2 days is based on two components, the average service period (one-half of the average month) at 15.2 days and the 15th billing day lag, which typically occurs 20 days into the month. Staff Witness Peterson also adjusts the cash working capital allowance for each of his various adjustments.

Q111. Do you agree that these adjustments are appropriate?

A111. No, I do not. Staff Witness Peterson and DPA Witness Crane asserts the Company's Affiliated Transactions lag should be measured from the midpoint of the month when service was rendered to when Pepco Holdings Inc. Service Company settles their account. In Staff Witness Peterson's and DPA Witness Crane's testimony they state that in response to data request PSC-RR-94 the Service Company transactions are settled through the PHI Money Pool around the 15th business day for the preceding month.

Q112. Are Witness Peterson's and Witness Crane's respective conclusions in support of their adjustments correct?

A112. No. If Delmarva prepared a lead/lag study on PHI specific transactions then this adjustment may have some merit. The lead/lag study used in this proceeding is related to Delmarva specific transactions as reflected on Delmarva's books and records. The 14.43 day lag for Affiliate's Transactions was based on the timing of these types of expenses being recorded on Delmarva's books. The timing of the Service Company's settlement of these transactions is irrelevant to Delmarva's cash working capital requirement. Cash working capital focuses on the cash-basis of accounting in expenses are recognized when cash is actually expended for products and services. This method differs from the accrual-basis of accounting, which matches expenses when goods and serviced are provided and not when they are paid.

Q113. Please summarize the Company's rebuttal position regarding Cash Working Capital.

A113. As noted above in regard to the lead/lag study related to all Delmarva expenses including those paid by the Service Company and settled with Delmarva, the Company continues to follow the precedent set in Docket Nos. 05-304 and 09-414 and use the proposed lead/lag study methods also proposed in this proceeding.

<u>Adjustment No. 35, Proform OPEB Expense</u>

Q114. Please describe Adjustment No. 35, which reflects changes to the Company's OPEB expenses.

A114. This adjustment, not included in my Direct Testimony, recognizes reasonably known and measurable changes to the Delmarva's retiree medical expense during the rate effective period.

Q115. What changes were made to the retiree medical plans?

A115. In June 2013, PHI approved an amendment to its retiree medical plans that will be effective on January 1, 2014. Prior to that date, the retiree medical plans continue to be underwritten by the Company's current plan. As a result of the amendment, the plan will provide a stipend allowing retirees to obtain private insurance of similar coverage to the medical insurance the current plan underwrote in 2013. The amendment is not expected to reduce the quality of the benefits provided to the retirees but it does reduce the cost of the benefits for PHI.

Q116. Please describe the adjustment to the OPEB expense resulting from the changes made to the retiree medical plans.

A116. As a result of the lower forecasted expense level, the test period OPEB expense has been adjusted to reflect the 2014 forecasted expense level. This lower expense level is reasonably known and measurable and is more reflective of the costs that Delmarva would incur during the rate effective period. As shown in Schedule (JCZ-R)-9, this adjustment results in decreasing test period earnings by $944,306.

<u>Adjustments Proposed by Other Parties</u>

<u>CWIP and AFUDC</u>

Q117. Did you include Construction Work in Progress (CWIP) and Allowance for Funds Used During Construction (AFUDC) in the Company's per book rate base?

A117. Yes, I did.

Q118. What is DPA Witness Crane's position on the inclusion of CWIP in rate base?

A118. DPA Witness Crane opposes the inclusion of CWIP in rate base by suggesting that the inclusion of CWIP in rate base creates a mismatch among the ratemaking components utilized for the test period. Further, DPA Witness Crane states that CWIP does not represent facilities that are "used and useful" in the provision of utility service and that its inclusion would violate the regulatory principle of intergenerational equity by requiring current ratepayers to pay a return on plant that is not providing them with utility service.

Q119. What is Staff Witness Peterson's position on the inclusion of CWIP in rate base?

A119. Staff Witness Peterson believes that it is inappropriate to include CWIP in rate base, stating that plant that is not used and useful during the test period should not be included in rate base. On a more theoretical basis, Staff Witness Peterson states that inclusion of CWIP in rate base violates the test period matching principle, citing that none of the revenue increasing or expense reducing impacts that are derived from CWIP are reflected in the Company's revenue requirement determination. Following the previous statement, Staff Witness Peterson believes that the Company's treatment recognizes only the cost increases associated with CWIP. He further states that his position is consistent with the last several Commission decisions regarding the Company's rate base and CWIP. Following his recommendation, Staff Witness Peterson states that the Company is already "appropriately compensated" for construction period financing costs when it capitalizes AFUDC.

Q120. Please explain why CWIP and associated accrued AFUDC should be included in cost of service.

A120. Distribution projects are made up of thousands of work requests/work orders that, on an annual basis, account for the on-going additions to rate base in the form of new assets which comprise incremental capital units of property. These assets are characterized as having short construction durations and, on a per unit basis, a low cost when compared to major plant additions such as substations. As stated earlier, the Company follows the appropriate procedure for accruing AFUDC at the work request/work order level. Many of these distribution projects collect no AFUDC and the majority of them that do, accrue it for only a few months.

The risk that these new distribution projects will not result in new units of property approaches zero. These new assets are closing to plant on a daily basis. The majority of this work is related to reliability, existing load and new customer service connections. A portion of these costs represent General Plant, which, for the most part, is also characterized as lower cost, short schedule units of capital property. It is appropriate to afford rate base treatment to these projects which are now either in service and serving customers or will be in service and serving customers before a decision is rendered in this case.

Q121. Do you propose an alternative in this proceeding if CWIP and AFUDC are not included in cost of service?

A121. Yes, I do. If the Commission were to decide not to include CWIP and the associated accrued AFUDC in cost of service, I believe that there is a reasonable alternative that should be acceptable to all of the parties. The Company could record AFUDC on all CWIP. The difference between the actual accrued, recorded AFUDC as is currently done and the full calculated AFUDC would be recorded as a regulatory asset. This regulatory asset would be treated in the Company's next case just as if had been actually accrued AFUDC and it would be amortized over the depreciable life and included in rate base just as if had been capitalized.

Q122. When do you propose that the calculation of this "Full AFUDC" would begin?

A122. It would seem appropriate that it would begin when final rates in this proceeding become effective. In the Company's next proceeding, the balance of this regulatory asset would be determined from the point in time that rates were established in this proceeding through the end of the test period in the Company's next proceeding. That balance would be amortized using the average book life with the regulatory asset included in rate base. The next regulatory asset would then begin at that time, starting at end of the next case's test period.

<u>Prepaid Insurance</u>

Q123. In your Direct Testimony, what was the proposed position in terms of the inclusion of Prepaid Insurance in rate base?

A123. The Company included prepaid insurance in rate base.

Q124. What is DPA Witness Crane's position on the inclusion of Prepaid Insurance in rate base?

A124. DPA Witness Crane states that the Company's response to PSC-RR-12 acknowledges that Prepaid Insurance costs are included in its Cash Working Capital claim, which results in a double-counting of prepaid insurance costs. As such, she recommends removal of these costs from rate base.

Q125. What is Staff Witness Peterson's position on the inclusion of Prepaid Insurance in rate base?

A125. Staff Witness Peterson removes the average balance of $17,826 associated with an allowance for prepaid insurance in rate base citing the Company's response to a Staff data request whereby the Company acknowledged that the expense lead days associated with payment of insurance premiums is already measured in the lead-lag study. Therefore, inclusion of prepaid insurance in rate base double-counts the working capital required.

Q126. What is the Company's rebuttal position in regard to this issue?

A126. The Company agrees with the concept of this adjustment and removed the $41,431 prepaid insurance year-end balance from its per books rate base shown in Schedule (JCZ-R)-1, page 1.

<u>Non-Executive Incentive Compensation</u>

Q127. What is the Company's position in regard to the inclusion of non-executive incentive compensation in the Company's revenue requirement?

A127. As detailed on Page 34 of my Direct Testimony, the Company has included all non-executive incentive in its proposed revenue requirement. The inclusion of incentive in employees' overall compensation motivated those employees to work safely, promote efficiency and focus on critical processes such as diversity, reliability and our customers' needs.

Q128. What is DPA Witness Crane's position on the inclusion of non-executive incentive compensation in the Company's revenue requirement?

A128. DPA Witness Crane does not agree that incentive compensation program costs are an appropriate cost to pass through to ratepayers. DPA Witness Crane believes that the Company's incentive plan is heavily weighted towards financial objectives, which, in her view, does not benefit ratepayers. In particular, the witness contends that these plans would require ratepayers to pay higher compensation costs as a result of high corporate earnings. She further contends that incentive compensation awards that are based largely on earnings criteria or other financial variables "may violate" the principle that a utility should provide safe and reliable service at the lowest possible cost. Additionally, she contends that the Company's employees are already "well compensated" by citing the consistency of non-union employees wage increases, which have generally averaged 3.0% annually since 2010.

Q129. What is Staff Witness Peterson's position on the inclusion of non-executive compensation in the Company's revenue requirement?

A129. Staff Witness Peterson recommends that the non-executive incentive compensation expenses be removed from the Company's revenue requirement citing his opinion that the program is designed to promote shareholder interests. His main issue with the program revolves around the fact that the Company must first meet pre-established financial goals prior to any payments being made. Although he opposes the Company's incentive compensation program, he does not have a problem with utilities motivating key employees through incentive compensation plans, so long as they are designed to promote employee safety and ratepayer interests. Staff Witness Peterson maintains that the Company's incentive compensation plan provide "perverse incentives" for the utility to overstate its revenue requirement and maintain excessive rates.

Q130. Did the Commission approve the recovery of non-executive incentive expenses in past Delmarva cases?

A130. In Docket No. 09-414, the Commission did not include the expense associated with non-executive incentives in cost of service because there it found that the Company did not separately provide a breakout of evidence establishing the level of the costs associated with the components related to safety, reliability and similar goals. The Commission, in its deliberation, discussed its treatment of this expense item in a prior proceeding, Docket No. 05-304. In Docket No. 05-304, the Commission had included incentive costs associated with achieving safety, reliability and similar goals as part of its approved revenue requirements.

Q131. Both Staff Witness Peterson and DPA Witness Crane contend that the Company's incentive plan is weighted towards financial objectives. Is this an accurate statement?

A131. No. As discussed by Company Witness Boyle in his Direct Testimony, the Company's Annual Incentive Plan is based off a combination of goals, including Delmarva and business unit performance hurdles, which must be met in order for management employees to be eligible for incentive compensation. Other parties seem to suggest that basing incentive compensation on financial objectives is a bad thing, however; it does not make sense for the Company to pay incentive compensation if the Company is not meeting minimum financial thresholds. This is exactly why Delmarva has instituted earnings thresholds for Utility Operations and Corporate Service employees. If the Company meets its corporate earnings threshold, each business unit's performance is assessed using its Balanced Scorecard. The Balanced Scorecard can be broken down further into the Employee Scorecard, the Customer Scorecard, and the Financial Scorecard. These smaller scorecards then contain numerous different goals or objectives that the particular business unit will strive to attain over the course of the year. Examples of some of these objectives include Safety metrics for the Employee Scorecard, which would include falling below a certain guideline for recordable and preventable accidents. For the Financial scorecard, an example would include spending less than budgeted amounts for O&M. An example of a Customer Scorecard goal would be meeting or exceeding the Overall Customer Service Score. As I have detailed, there are many factors outside of "financial objectives" that are included in the Company's incentive compensation calculation. The Company's annual incentive plan is intended to support the PHI Way and PHI's Blueprint for the Future and align employees with key business goals. Company Witness Boyle provides additional insight as to incentive plans linkage to customer benefits.

Q132. DPA Witness Crane's suggests that "awards based largely on earnings criteria may violate the principle that a utility should provide safe and reliable utility service at the lowest possible cost." Is this correct?

A132. No, it is not. DPA Witness Crane is incorrect in her suggestion that the Company's incentive compensation plan is largely based on earnings criteria. The fact is that Delmarva will not provide incentive compensation to its employees if the Company does not meet or exceed its earnings threshold which is an appropriate way to administer an incentive program. However, that is separate from her suggestion that the Company's goals are almost purely financial in nature, which is not at all the case. As I have substantiated above, many of the group area and executive area goals are related to safety and customer service, which provide further incentive for employees to do their best in order to provide the safest and most reliable service possible for our customers. As discussed in my Direct Testimony on page 36, the amounts related to each of these incentive categories include customer satisfaction and reliability ($797,520), safety ($199,380), Affirmative Action ($99,690) and Regulatory and Compliance ($99,690). Financial goal incentive categories ($797,521) comprised the remainder of the total ($1,993,801) non-executive incentive expense.

Q133. Why does the Company have an incentive compensation plan?

A133. Most organizations determine competitive total annual compensation for similar positions in the associated labor market and place a portion of total pay "at risk", which is contingent upon the achievement of performance-based goals to the benefit of all stakeholders, including customers. The Company also strives to align employee performance with business objectives by providing additional incentives for employees who go above and beyond the call of duty. Company Witness Boyle provides additional details in his Rebuttal Testimony relating to the reasons for the inclusion of incentives in employees' overall compensation.

Q134. Please summarize the Company's rebuttal position.

A134. The Company has included non-executive incentive compensation in its cost of service and believes that the provision of these incentive programs is critical for attracting and retaining competent talent. In addition, the program is intended to align employee behavior with company business objectives, with those objectives including increases customer satisfaction, employee productivity, employee safety, and operational efficiency. As noted by Company Witness Boyle, the Commission should consider the inclusion of non-financial non-executive incentive expense even if it decides to exclude financial-related non-executive incentive expense.

Inclusion of Prepaid Pension Asset and OPEB Liability in Rate Base

Q135. What is Delmarva's position on the inclusion of the OPEB Liability and the Prepaid Pension Asset in rate base?

A135. Following the precedent set in Docket Nos. 05-304 and 09-414, the Company includes its Prepaid Pension Asset and OPEB Liability in its rate base.

Q136. What is DPA Witness Crane's position on inclusion of the OPEB Liability and the Prepaid Pension Asset in rate base?

A136. DPA Witness Crane disagrees with the inclusion of these items in rate base, stating that the Company no longer has a negative pension expense included in its revenue requirement, and as such the basis for inclusion of the prepaid pension asset in rate base in no longer valid. In support of her conclusion, she cites the PSC in Order No. 6930, where they stated:

> *"...we believe that the pre-paid pension asset is appropriately included in rate base because it is caused by a negative pension expense, which reduces base rates, resulting in rates that are lower than they otherwise might be, and at the same time creates a cash working capital requirement. We also recognize that the Company has no access to this asset to use for other operating expenses; it is precluded by federal law from using any of the money it has collected for pensions for any other purpose. Thus for these reasons and the reasons set forth in the Hearing Examiner's findings and recommendations, we adopt the Hearing Examiner's findings and recommendations. (Unanimous) "*

Further, she believes that if the PSC is using actuarial values in a utility's revenue requirement, then it is not appropriate to include any rate base components relating to true-ups of accrued versus funded liabilities. In conclusion, DPA Witness Crane takes the position that including rate base adjustments relating to pension and OPEB costs inappropriately combines the accrual methodology used in the actuarial studies with the cash funding approach.

Q137. What is Staff Witness Peterson's position on the inclusion of the OPEB Liability and the Prepaid Pension Asset in rate base?

A137. Staff Witness Peterson does not contest the Company's inclusion of either the Prepaid Pension Asset or the OPEB Liability in rate base.

Q138. Please describe the Company's Prepaid Pension Asset and OPEB Liability.

A138. The Company's books and records reflect a Prepaid Pension Asset and an OPEB Liability on the balance sheet. The Prepaid Pension Asset occurs when accumulated contributions and growth in the pension plan exceed the accumulated expenses associated with the pension obligations. In contrast, the OPEB liability reflects the accumulated costs associated with OPEB obligations exceeding the associated contributions and growth of those plan assets.

Q139. Why should the Prepaid Pension Asset be included in the Company's rate base?

A139. The Prepaid Pension Asset, which is funded with investor supplied capital, should be included in the Company's rate base because customers are benefitting from its existence. In accordance with Statement of Financial Accounting Standards (SFAS) Board No. 87 "Employers' Accounting for Pensions", the Company calculates its pension expense, which is composed of multiple components. First is the Service cost, which is the actuarial present value of the projected benefits that are attributable to employees' service in the current year. The Service cost is then added to the Interest cost, which is the increase in the pension benefit obligation associated with the passage of time during the year. These two costs are summed and then offset by the expected return on assets, which is the increase in plan assets associated with the passage of time during the year. The expected return on assets is derived by multiplying the expected long-term rate of return on assets by the market-related value of assets. Finally, amortization amounts are also factored in when calculating the Company's pension expense. The existence of a Prepaid Pension Asset on the Company's balance sheet indicates that the Company's cash contributions and return in the pension trust exceed the accumulated benefit obligation. This being the case, the pension trust's assets are higher than they otherwise would be, which increases the expected return on assets. The increase in the expected return on assets because of the existence of a Prepaid Pension Asset decreases the Company's pension expense, all things being equal. The decrease in the Company's pension expense due to the existence of the Prepaid Pension Asset decreases the Company's cost of service.

Q140. Has the Commission provided support for the inclusion of the Prepaid Pension Asset and OPEB Liability in the Company's rate base?

A140. Yes, the Commission has authorized the inclusion of the Prepaid Pension Asset in rate base. In Order No. 6930 for DPL's Docket No. 05-304, the Delaware Public Service Commission adopted the Hearing Examiner's recommendation to include Prepaid Pension Asset in Rate Base:

> *We believe that the prepaid pension asset is appropriately included in rate base because it is caused by negative pension expense, which reduces base rates, resulting in rates that are lower than they otherwise might be, and at the same time creates a cash working capital requirement. We also recognize that the Company has no access to this asset to use it for other operating expenses; it is precluded by federal law from using any of the money it has*

> *collected for pensions for any other purpose. Thus, for these reasons set forth in the Hearing Examiner's findings and recommendations, we adopt the Hearing Examiner's findings and recommendations.*

Q141. Please summarize the Company's rebuttal position.

A141. The Company supports the inclusion of its Prepaid Pension Asset and OPEB liability in its rate base. As indicated above, the Company's cash contributions and returns related to the Company's pension plan assets reduce pension expense, which results in base rates lower than they otherwise would be, and concurrently creates a cash working capital requirement. This cash working capital requirement cannot be accessed by DPL because it is legally impermissible to do so. The Company's pension expense in cost of service has been reduced by the return on the Prepaid Pension Asset. As a result, the Company has appropriately funded the prepaid pension, has no opportunity to access the funds, and has a reduced pension expense in cost of service because the return on this asset serves to reduce the level of pension expense.

Relocation Expenses

Q142. Does DPA Witness Crane make an adjustment to the Company's relocation expenses included in its revenue requirement?

A142. Yes. DPA Witness Crane believes that the actual test year cost does not, or may not, represent a "normal", ongoing level of relocation expense as it is much higher in comparison to similar relocation costs during the 2009 to 2011 time frame. In keeping with that notion, she hesitates to include it in a calculation of a normalized expense level, and instead recommends that the PSC utilize an expense level using the Company's 2010 relocation expenses.

Q143. Does Staff Witness Peterson make an adjustment to the Company's relocation expenses included in its revenue requirement?

A143. No. Staff Witness Peterson does not contest the relocation expenses included in the Company's revenue requirement.

Q144. Please summarize the Company's position in regard to relocation expenses.

A144. The Company is following the precedent set in Docket Nos. 05-304 and 09-414 in regard to including the test period level of relocation expense in cost of service. These expenses are normal expenses incurred in the ordinary course of business. As such, there are expenses that could be higher or lower compared to a normalized level of the same expenses; however, there is no evidence to support a normalized level.

<u>SERP Expenses</u>

Q145. Does DPA Witness Crane make an adjustment to the Company's SERP expenses included in its revenue requirement?

A145. Yes. DPA Witness Crane suggests that the Company's officers are already well compensated, and given that they are already included in the normal retirement plans of the Company, believes that the Company's shareholders should pay for these "excess benefits." Given her opinions here, she recommends that the Company's claim for SERP costs be disallowed.

Q146. Does Staff Witness Peterson make an adjustment to the Company's SERP expenses included in its revenue requirement?

A146. No. Staff Witness Peterson does not contest the SERP expenses included in the Company's revenue requirement.

Q147. Why does the Company provide a SERP?

A147. It is common practice among companies that offer qualified defined benefit pension plans, such as PHI, to provide executives with a benefit that allows them to compensate for IRS limits which cap the amount of salary that the Company may use in calculating benefits. Because of this cap, executives do not receive equitable pension contributions, relatively speaking, when compared to the typical company employee. The goal behind providing a SERP is to provide executives a way to receive a pension that is similar to the typical employee. The Company's SERP, which is a non-qualified plan, accomplishes this by providing DPL's executives with a benefit that makes up for the contribution differences caused by the IRS salary cap.

Q148. Please summarize the Company's rebuttal position.

A148. SERP is a common benefit offered to attract and retain executives in the utility industry and thus is a reasonable cost to include in test period cost of service. It should be noted that DPA Witness Crane cites no Delaware precedent in which these costs have been removed from the test period cost of service as the Commission decided in Docket No. 09-414 that SERP expenses were includable in test period cost of service, as stated in Order No. 8011:

> *184.* ***Discussion.*** *We reject the Hearing Examiner's recommendation. We are persuaded by Delmarva's argument that these benefits are necessary to attract and retain executive talent. Furthermore, these are true retirement benefits, as opposed to executive incentive payments (which we note Delmarva voluntarily excluded from its cost of service in this case), and as such are not tied to the achievement of financial goals. Thus, we approve the inclusion of these expenses in Delmarva's cost of service. (Unanimous).*

<u>Corporate Governance Expenses</u>

Q149. Does DPA Witness Crane make an adjustment to the Company's Corporate Governance expenses included in its revenue requirement?

A149. Yes. DPA Witness Crane recommends that the costs associated with certain External Affairs activities be disallowed unless the Company can demonstrate that such costs have a direct benefit to customers or have been removed elsewhere in the filing. In support of her position, she concludes that External Affairs costs generally relate to interaction with legislators and/or community organizations and are designed to promote the Company's political agenda and/or corporate image. She notes that the Company has shown that some costs are clearly identified as lobbying and have been booked below-the-line, she suggests there are a few categories of External Affairs that "appear" to relate to the activities, such as public relations, corporate citizen social responsibility, strategic communications, Political Action Committee (PAC) and corporate contributions. DPA Witness Crane also suggests that unless these costs are directly related to the provision of utility service and provide a benefit to ratepayers, they should not be included in regulated rates.

Q150. What is the Company's role in the region as a corporate citizen?

A150. As a corporate citizen, the Company takes seriously the central role it plays in the region's economic development and the importance of ensuring that all benefit from that growth. The Company is not only dedicated to meeting the needs of our customers and shareholders, but giving back to the communities we serve and protecting the environment. Therefore, the Company supports a wide variety of cultural, civic, educational, environmental, health, safety, and business initiatives that are dedicated to improving the quality of life for all citizens.

Q151. Please comment on DPA Witness Crane's position.

A151. DPA Witness Crane bases her adjustment off of the Company's response to AG-RR-146, which provides information relating to the Service Company Bill. In making her adjustment, she removes the 2012 expenses associated with Public Relations, Corporate Citizenship Social Responsibility, Strategic Communications, PAC Committee, and Corporate Contributions. Although not noted in the Company's response, the categories noted as Corporate Citizen Social Responsibility, PAC Committee, and Corporate Contributions are all below the line expenses, and as such, are not included in the Company's revenue requirement determination. The costs removed by Witness Crane are expenses which were incurred during the normal course of business and should not be removed.

Q152. Does Staff Witness Peterson make an adjustment to the Company's Corporate Governance expenses included in its revenue requirement?

A152. No. Staff Witness Peterson does not contest the Corporate Governance expenses included in the Company's revenue requirement.

Q153. Please describe the Company's rebuttal position in regard to Corporate Governance expenses.

A153. The Company's corporate governance expenses relate to both the manner in which both PHI and Delmarva are directed and controlled as well as social responsibility expenses which directly benefit customers. These items are normal and ordinary business expenses which have been included in cost of service based on the decisions in Docket Nos. 05-304 and 09-414. Expenses that are recorded "below the line" as non-utility expenses are not included in test period cost of service.

Meals and Entertainment Expenses

Q154. Does DPA Witness Crane make an adjustment to the Company's Meals and Entertainment expenses included in its revenue requirement?

A154. Yes. DPA Witness Crane cites the Company's response to AG-RR-55 whereby the Company noted $298,182 of meals and entertainment expenses which are not deductible for income tax purposes as the basis for her recommendation that these costs be split using the 50% Internal Revenue Service (IRS) criteria as a "reasonable balance" of cost sharing between ratepayers and shareholders. Although the Company had not provided additional information regarding these costs, she notes that PHI acknowledged in its proxy statement that it had incurred costs for a variety of sporting and entertainment events which may or may not have been used for "business purposes."

Q155. Does Staff Witness Peterson make an adjustment to the Company's Meals & Entertainment expenses included in its revenue requirement?

A155. No. Staff Witness Peterson does not contest the Meals & Entertainment expenses included in the Company's revenue requirement.

Q156. Please summarize the Company's rebuttal position.

A156. These expenses were incurred during the normal course of business, which includes providing meals to union employees, business meals, meals related to required overtime, and meals provided for training. With her arbitrary reliance on this specific IRS regulation, DPA Witness Crane blurs the line between the taxing authority governance of the IRS and its regulations compared to the Commission's oversight of public utilities in the State of Delaware. The inclusion of these expenses in cost of service follows the Commission's precedent in Docket Nos. 05-304 and 09-414. As such, DPA Witness Crane's proposed adjustment should be rejected.

<u>**Membership Dues Expenses**</u>

Q157. Does DPA Witness Crane make an adjustment to the Company's Membership Dues Expenses included in its revenue requirement?

A157. Yes. DPA Witness Crane recommends a 20% disallowance of the Company's membership dues identified in MFR Exhibit 3-G of the Company's filing. In making that recommendation, she suggests that they be disallowed on the basis that they constitute lobbying costs. In her view, lobbying activities have no functional relationship to the provision of safe and adequate utility service, and as such, should not be charged to cost of service. In addition to lobbying costs, she also suggests that public affairs, media relations, and "other advocacy initiatives" should not be charged to customers as well.

Q158. How does the Company account for lobbying expenses and how does it impact ratemaking precedent in Delaware?

A158. Following the Company's accounting guidelines, any lobbying expenses reported by these organizations are recorded "below the line" and not included in test period cost of service. Membership dues, net of reported lobbying expenses, have been included in test period cost of service based on the Commission's decisions in Docket No. 05-304 and 09-414.

Q159. The Company pays membership dues to the Edison Electric Institute (EEI). Please describe that organization.

A159. EEI is the association that represents all United States investor-owned electric utilities. Its mission is to ensure members' success by advocating public policy, expanding marketing opportunities and providing strategic business information. Its vision is to make a significant and positive contribution to the long-term success of the electric power industry. Its vital mission is to provide electricity to foster economic progress and improve the quality of life.

EEI dues are the largest of the amounts shown in Electric Association Dues Schedule No. 3-G in the MFRs. EEI identifies the lobbying portion of those dues and the Company records those costs "below the line", excluding them from test period cost of service.

Q160. How does EEI benefit the Company's customers?

A160. Based on its mission and vision, EEI focuses on issues affecting the electric industry such as system reliability, environmental, technology and cybersecurity. These issues are important in the provision of electricity and the critical role in it plays in the economy and the daily lives of customers.

Q161. The Company pays membership dues to the Delaware Alliance for Nonprofit Advancement (DANA). Please describe that organization.

A161. DANA is a leader of the nonprofit sector whose mission is to strengthen, enhance, and advance non-profits and the sector in Delaware through advocacy, training, capacity building, and research.

Q162. How does DANA benefit the Company's customers?

A162. The quality of life for Delawareans will improve because non-profits are delivering on their missions efficiently and effectively. DANA is recognized for providing skills leadership, convening leadership, and voice leadership for the nonprofit sector. The Company is an alliance partner.

Q163. The Company pays membership dues to the Delaware Public Policy Institute (DPPI). Please describe that organization.

A163. DPPI is a non-profit, non-partisan, non-governmental public policy research organization. From health care to land use, the Institute identifies emerging issues that drive Delaware's future agenda. Its mission is to conduct research and encourage the study and discussion of issues affecting the citizens of Delaware.

Q164. How does the DPPI benefit the Company's customers?

A164. The DPPI has conducted various studies addressing the issues of health care, economic development, land use, water/wastewater, effective government, and education involving the state of Delaware. The organization used many task forces to identify central issues in these areas. The task forces were comprised of representatives from all levels of government, business, civic organizations, environmental organizations, educators, and private citizens.

Q165. Does Staff Witness Peterson make an adjustment to the Company's Membership Dues Expenses included in its revenue requirement?

A165. No. Staff Witness Peterson does not contest the Membership Dues Expenses included in the Company's revenue requirement.

Q166. Please comment on DPA Witness Crane's position.

A166. DPA Witness Crane is incorrect in her assertion that these costs constitute lobbying efforts as the Company has only included in cost of service the costs that do not constitute lobbying. DPL's memberships in these organizations provide numerous benefits to the Company's customers and thus should be included in the Company's cost of service. The inclusion of these expenses in cost of service follows the Commission's precedent in Docket Nos. 05-304 and 09-414. The Commission should reject DPA Witness Crane's proposal from the Company's cost of service.

Reflect Test Period Average Rate Base

Q167. Please describe your proposed ratemaking for per books rate base.

A167. I propose that the per books rate base used in the development of the Company's revenue requirement be the test period year-end balances as of December 31, 2012.

Q168. What other adjustments were made in conjunction to the inclusion of year-end rate base?

A168. Company Witness Santacecilia adjusted revenues to include an annualization related to year-end customer counts. In addition, an adjustment to annualize depreciation expense related to year-end plant balances was made. These adjustments ensure that revenues and depreciation expense properly match the year-end balances, which would be more representative of the rate effective period. These proposed adjustments ensure that revenues and depreciation expense properly match the year-end rate base.

Q169. Does Staff Witness Peterson agree with the Company's use of a year-end rate base?

A169. No, Staff Witness Peterson does not agree with the Company's use of a year-end rate base and instead recommends that the Commission require Delmarva's request be based on a test year average rate base. In making his determination, Staff

Witness Peterson states that the Commission's general policy has been to require jurisdictional utilities to calculate rate base using the thirteen-point average method. Additionally, he disagrees with the Company's use of year-end rate base because "the assets that were serving customers during the 2012 test year will continue to serve customers in 2013 and beyond." Further, he suggests that year-end rate base is conceptually wrong because it introduces a mismatch in the measurement of a utility's earnings and revenue requirement as revenues earned and expenses are incurred throughout the entire test period. Staff Witness Peterson also makes the assertion that when plant balances are growing, as is the case with Delmarva, using a year-end rate base understates the income producing capability of existing rates and overstates the revenue deficiency. Using year-end rate base in this case will provide the Company with an "unwarranted attrition allowance" in his opinion.

Q170. While Staff Witness Peterson cites the Commission's precedent in his proposed use of average rate base, did he address the annualization of test period reliability plant closings, which is also Commission precedent?

A170. No. While the Commission's precedent is the use of average rate base, the Commission set precedent in Docket No. 05-304 and reaffirmed it in Docket No. 09-414 to annualize test period reliability plant closings. The Company's proposed use of year-end rate base already factors this test period reliability plant closings annualization in its per books earnings and rate base amounts; however, Staff Witness Peterson's proposed use of average rate base does not reflect these items. As provided in the Company's December 2012 Rate of Return report previously filed with the Commission, Schedule (JCZ-R)-11, page 1 reflects the earnings and rate base impacts of the adjustment that annualizes test period reliability plant closings if average rate base is used for all other items. Schedule (JCZ-R)-11, pages 2 and 3 provides supporting documentation related to the adjustment.

Q171. Does DPA Witness Crane agree with the Company's use of a year-end rate base?

A171. Yes, DPA Witness Crane accepts the use of test year-end balances to determine rate base.

Q172. Is year-end rate base used in other jurisdictions?

A172. Yes. There is a mix throughout the United States in terms of Commissions that use average rate base as well as ones that use year-end rate base. In PHI utilities' other jurisdictions, the New Jersey Board of Public Utilities has approved the use of end-of-period (or terminal) rate base while the District of Columbia and Maryland Commissions generally use average rate base.

In terms of Commission precedent throughout the United States in past and pending natural gas base rate cases filed in 2012 based on data from Regulatory Research Associates, 2 past cases and 4 pending cases use year-end rate base as the valuation method while 4 past cases and 18 pending cases use average rate base as the valuation method. In terms of past and pending electric base rate cases filed in 2012, 3 past cases and 18 pending cases use year-end rate base as the valuation method while 10 past cases and 24 pending cases use average rate base as the valuation method.

Q173. How has Delmarva's rate base grown in recent history compared to its revenue growth?

A173. The Company's net plant in service continues to grow as shown in Table 9 earlier in my Rebuttal Testimony while reliability investments to replace aging infrastructure are being made. At the same time, distribution revenue growth has not grown at similar rates as shown in Table 5 of my Rebuttal Testimony. The combination of increasing rate base and lower revenue growth results in regulatory lag that has contributed to Company under-earning over the recent years. These results of the Company's annual rate of return reports in regard to its return on equity (ROE) are shown in Table 1 of my Rebuttal Testimony.

Q174. Please summarize the Company's rebuttal position.

A174. Rate base continues to grow to ensure safe and reliable service to customers yet revenue growth has not kept pace. Given this scenario, the Company believes that the use of year-end rate base better reflects the increasing net investment in rate base that would be representative of the rate effective period. As such, the Company respectfully requests that the Commission consider the use of year-end rate base and the other adjustments related to it to better reflect the rate effective period.

Revenue Conversion Factor

Q175. Please describe the Company's proposed revenue conversion factor.

A175. The revenue conversion factor is used to adjust earnings-related ratemaking adjustments for income taxes and other related items to ensure that revenue retirements or deficiencies properly incorporate these items. The Company's proposed revenue conversion factor is detailed in MFR Schedule 5.

Q176. Does Staff Witness Peterson agree with the Company's revenue conversion factor as filed?

A176. No, he does not. Although Staff Witness Peterson agrees with the majority of the items included in the Company's calculation of its revenue conversion factor, he does not believe the Company should include the Wilmington Franchise Tax. He asserts that the Company's revenue conversion factor as it stands proposes to collect this tax from all Delaware distribution customers, including those outside of the limits of the city of Wilmington. Staff Witness Peterson supports his position by noting that municipal services raised through the Wilmington Franchise Tax are not available to customers located outside the City of Wilmington.

Q177. Does DPA Witness Crane agree with the Company's revenue conversion factor as filed?

A177. Yes, DPA Witness Crane does not contest the revenue conversion factor as filed by the Company.

Q178. What is Delmarva's position on this issue?

A178. The Company continues to follow Commission precedent set in Docket Nos. 05-304 and 09-414 in terms of its revenue conversion factor and its application. If the Commission chooses to change its precedent in regard to this item, the Company would make the appropriate changes.

Q179. Does this conclude your Rebuttal Testimony?

A179. Yes, it does.

Delmarva Power & Light Company
Docket No. 13-115 - Delaware Electric Distribution Adjustments
12 Months Ending December 2012

(1) Line No.	(2) Item	Witness	(3) Company's Direct Earnings	(4) Company's Direct Rate Base	(5) Staff Direct Earnings	(6) Staff Direct Rate Base	(7) DPA Direct Earnings	(8) DPA Direct Rate Base	(9) Company Rebuttal Earnings	(10) Company Rebuttal Rate Base
1	**Per Books Unadjusted - 12 Months Ending December 2012**									
2			$29,988,586	$674,914,898	$29,988,586	$674,914,898	$29,988,586	$674,914,898	$29,988,586	$674,873,467
3	**Uncontested Adjustments:**									
4	1 Rate Change from Docket No. 11-528	Santacecilia	$5,643,025	$0	$5,643,025	$0	$5,643,025	$0	$5,643,025	$0
5	2 Weather Normalization	Santacecilia	$163,716	$0	$163,716	$0	$163,716	$0	$163,716	$0
6	3 Bill Frequency	Santacecilia	$1,227,683	$0	$1,227,683	$0	$1,227,683	$0	$1,227,683	$0
7	6 Injuries and Damages Exp Normalization	Ziminsky	$25,878	$0	$25,878	$0	$25,878	$0	$25,878	$0
8	7 Uncollectible Expense Normalization	Ziminsky	$93,186	$0	$93,186	$0	$93,186	$0	$93,186	$0
9	9 Remove Employee Association Expense	Ziminsky	$53,123	$0	$53,123	$0	$53,123	$0	$53,123	$0
10	11 Removal of Executive Incentive Compensation	Ziminsky	$1,291,130	$0	$1,291,130	$0	$1,291,130	$0	$1,291,130	$0
11	12 Removal of Certain Executive Compensation	Ziminsky	$23,393	$0	$23,393	$0	$23,393	$0	$23,393	$0
12	13 Storm Restoration Expense Normalization	Ziminsky	$457,675	$0	$457,675	$0	$457,675	$0	$457,675	$0
13	17 Proform AMI O&M Expenses	Ziminsky	($1,303,207)	$0	($1,303,207)	$0	($1,303,207)	$0	($1,303,207)	$0
14	18 Proform AMI O&M Savings	Ziminsky	$811,752	$0	$811,752	$0	$811,752	$0	$811,752	$0
15	19 Proform AMI Depreciation & Amortization Expense	Ziminsky	($1,662,531)	$0	($1,662,531)	$0	($1,662,531)	$0	($1,662,531)	$0
16	25 Normalize Other Taxes	Ziminsky	($112,145)	$0	($112,145)	$0	($112,145)	$0	($112,145)	$0
17	27 Amortization of Actual Refinancing Costs*	Ziminsky	($370,828)	$2,976,401	($370,828)	$3,102,238	($370,828)	$2,976,401	($377,707)	$3,076,843
18	28 Remove Qualified Fuel Cell Provider Project Costs	Ziminsky	$84,783	$0	$84,783	$0	$84,783	$0	$84,783	$0
19	30 Remove Post-80 ITC Amortization	Ziminsky	($255,733)	$0	($255,733)	$0	($255,733)	$0	($255,733)	$0
20	32 Removal of RPS Labor Charges	Ziminsky	$41,136	$0	$41,136	$0	$41,136	$0	$41,136	$0
21										
22	**Sub-total After Uncontested Adjustments**		$36,200,622	$677,891,300	$36,200,622	$678,017,137	$36,200,622	$677,891,300	$36,193,743	$677,950,311

* - Refinancings adjustment updated from Direct Testimony to include August 2012 Tax-Exempt Bonds refinancing per Company response to AG-RR-112.

Delmarva Power & Light Company
Docket No. 13-115 - Delaware Electric Distribution Adjustments
12 Months Ending December 2012

(1) Line No.	(2) Item	Witness	(3) Company's Direct Earnings	(4) Company's Direct Rate Base	(5) Staff Direct Earnings	(6) Staff Direct Rate Base	(7) DPA Direct Earnings	(8) DPA Direct Rate Base	(3) Company Rebuttal Earnings	(4) Company Rebuttal Rate Base
1	Uncontested from Page 1		$36,200,622	$677,891,300	$36,200,622	$678,017,137	$36,200,622	$677,891,300	$36,193,743	$677,950,311
2										
3	**Contested Adjustments:**									
4	4 Year End Customers	Santacecilia	$424,587	$0	$0	$0	$424,587	$0	$424,587	$0
5	5 Regulatory Commission Exp Normalization	Ziminsky	($85,345)	$0	($44,561)	$0	($44,554)	$0	($85,345)	$0
6	8 Wage and FICA Expense	Ziminsky	($1,114,374)	$0	($793,275)	$0	($161,696)	$0	($1,173,236)	$0
7	10 Proform Benefits Expense	Ziminsky	($318,199)	$0	$0	$0	$54	$0	($318,199)	$0
8	14 Reflect IRP Recurring Expense	Ziminsky	($342,371)	$0	($240,349)	$0	($77,123)	$0	($342,371)	$0
9	15 Amortize IRP Deferred Costs	Ziminsky	($6,050)	$57,474	($6,050)	$57,474	$1	$0	($6,050)	$57,474
10	16 Amortize RFP Deferred Costs	Ziminsky	($3,028)	$28,764	($3,028)	$28,764	$0	$0	($3,028)	$28,764
11	20 Amortize Dynamic Pricing Regulatory Asset January 2013 - December 2013	Ziminsky	($265,054)	$3,843,284	$0	$0	($97,140)	$1,457,774		
12	20a Amortize Dynamic Pricing Regulatory Asset January 2013 - August 2013	Ziminsky							($199,773)	$2,896,702
13	20b Amortize Dynamic Pricing Regulatory Asset September 2013 - October 2013	Ziminsky							($32,488)	$471,070
14	21 Proform Dynamic Pricing O&M Expenses	Ziminsky	($445,258)	$0	$0	$0	($445,258)	$0	($445,258)	$0
15	22 Proform Dynamic Pricing Amortization Expense	Ziminsky	($733,262)	$0	$0	$0	($733,262)	$0	($733,262)	$0
16	23 Amortize Direct Load Control Regulatory Asset January 2013 - December 2013	Ziminsky	($393,571)	$5,706,782	$0	$0	($1,293)	$0		
17	23a Amortize Direct Load Control Regulatory Asset January 2013 - August 2013	Ziminsky							($93,311)	$1,353,012
18	23b Amortize Direct Load Control Regulatory Asset September 2013 - December 2013	Ziminsky							($298,185)	$4,323,681
19	24 Annualization of Depreciation on Year-end Plant	Ziminsky	($213,425)	($213,425)	$0	$0	($213,425)	($213,425)	($213,425)	($213,425)
20	26 Proform Actual Reliability Closings January 2013 - December 2013	Ziminsky/Maxwell	($1,088,493)	$66,794,140	$0	$0	$183	$0		
21	26a Proform Actual Reliability Closings January 2013 - August 2013	Ziminsky/Maxwell							($549,901)	$39,876,047
22	26b Proform Forecasted Reliability Closings September 2013 - December 2013	Ziminsky/Maxwell							($247,373)	$18,355,521
23	29 Amortize Medicare Subsidy Deferred Costs	Ziminsky	($21,860)	$54,650	($21,860)	$54,650	($8,885)	$0	($21,860)	$54,650
24	31 Recover Credit Facilities Expense	Ziminsky	($200,057)	$520,111	$0	$0	$33	$0	($200,057)	$520,111
25	33 Interest Synchronization	Ziminsky	$790,792	$0	($990,487)	$0	($1,236,404)	$0	$698,645	$0
26	34 Cash Working Capital	Ziminsky	$0	$23,798	$0	($3,910,170)	$0	$23,798	$0	($69,742)
27	35 Proform OPEB Expense (new adjustment)	Ziminsky							$944,306	$0
28	Remove CWIP from Rate Base & AFUDC				($965,309)	($54,486,199)	($965,309)	($70,154,772)		
29	Adjust/Remove Prepaid Insurance				$0	($17,826)	$0	($41,431)		
30	Remove Non-Executive Incentive Compensation				$1,183,222	$0	$1,183,421	$0		
31	Adjust CWC Balance				$0	$0	$0	($1,889,057)		
32	Remove OPEB Liability				$0	$0	$0	$8,176,221		
33	Remove Prepaid Pension Asset				$0	$0	$0	($61,581,370)		
34	Payroll Tax Expense Adjustment (Wage & Non-Executive Incentive)				$0	$0	$93,972	$0		
35	Relocation Expense Adjustment				$0	$0	$55,198	$0		
36	Remove SERP Expenses				$0	$0	$653,963	$0		
37	Remove Corporate Governance Expenses				$0	$0	$226,139	$0		
38	Remove Meals & Entertainment Expenses				$0	$0	$96,224	$0		
39	Remove Membership Dues Expense				$0	$0	$20,361	$0		
40	Adjust to Test Year Average Rate Base				$0	($40,999,526)	$0	$0		
41										
42	Total Contested Adjustments		($4,014,968)	$76,815,577	($1,881,697)	($99,272,833)	($1,230,214)	($124,222,263)	($2,895,584)	$67,653,865
43	Adjusted Test Period		$32,185,654	$754,706,877	$34,318,925	$578,744,304	$34,970,408	$553,669,028	$33,298,159	$745,604,175

Delmarva Power & Light Company
Docket No. 13-115
12 Months Ending December 31, 2012
(000's)

(1) Line No.	(2) Item	(3) Company's Direct	(4) Staff's Filing	(5) DPA's Filing	(6) Company's Rebuttal
1	Pro Forma Rate Base	$754,706,877	$578,744,304	$553,669,028	$745,604,175
2					
3	Rate of Return	7.53%	7.09%	7.09%	7.53%
4					
5	Required Return	$56,829,428	$41,032,971	$39,255,134	$56,143,994
6					
7	Pro Forma Operating Income	$32,185,654	$34,318,925	$34,970,408	$33,298,159
8					
9	Return Deficiency (Excess)	$24,643,774	$6,714,046	$4,284,726	$22,845,835
10					
11	Revenue Conversion Factor	1.70606	1.70425	1.70606	1.70606
12					
13	Required Rate Increase	$42,043,757	$11,442,413	$7,309,999	$38,976,366

Delmarva Power & Light Company
Docket No. 13-115
Interest Synchronization
000's

(1) Line No.	(2) Item	(3) Company's Direct	(4) Staff's Filing	(5) DPA's Filing	(6) Company's Rebuttal
1	Per Books Interest	$16,862,023	$16,847,056	$16,847,056	$16,847,056
2					
3	Adjusted Rate Base	$754,706,205	$578,744,304	$553,669,028	$745,604,175
4	Weighted Cost of Debt	2.49%	2.49%	2.49%	2.49%
5	Proforma Interest	$18,792,185	$14,410,733	$13,786,359	$18,565,544
8	Difference	$1,945,128	($2,436,323)	($3,060,698)	$1,718,488
9					
10	Taxable Income Effect	($1,945,128)	$2,436,323	$3,060,698	($1,718,488)
11					
12	State Income Tax	$169,226	($211,960)	($266,281)	$149,508
13	Federal Income Tax	$621,566	($778,527)	($978,046)	$549,143
14	Total Operating Expense	$790,792	($990,487)	($1,244,327)	$698,651
15					
16	Earnings	($790,792)	$990,487	$1,244,327	($698,651)

Delmarva Power & Light Company
Revenue Conversion Factor
Delaware Electric Retail

(1) Line No.	(2) Particulars	(3) Factor	
1	**Tax Rates**		
2	Federal Income Tax	0.35000	
3	State Income Tax	0.08700	
4			
5	Regulatory Tax	0.00300	
6	Local Tax - City of Wilmington	0.00106	
7	Bad Debt Expense	0.00825	
8			
9	**Conversion Factor**		
10	Revenue Increase	X	
11			
12	Regulatory Tax	0.00300	X
13	Local Tax - City of Wilmington	0.00106	X
14	Bad Debt Expense	0.00825	X
15	Total Other Tax	0.01231	X
16			
17	State Taxable Income	0.98769	X
18	State Income Tax	0.08593	X
19			
20	Federal Taxable Income	0.90176	X
21	Federal Income Tax	0.31562	X
22			
23	Total Additional Taxes	0.41386	X
24			
25	Increase in Earnings (1 - additional taxes)	0.58614	X
26			
27	Revenue Conversion Factor (1/Incr in Earnings)	1.70606	X

Delmarva Power & Light Company
Delaware Distribution
Wage, Salary, and FICA Expense Adjustment
12 Months Ending December 2012

(1) Line No.	(2) Item	(3) Electric
1	**Salary and Wage Adjustment**	
2	Electric Distribution O&M Expense Adjustment	$3,202,532
3		
4	Delaware Distribution	58.58%
5		
6	Delaware Distribution Expense	$1,876,165
7		
8	State Income Tax	($163,226)
9	Federal Income Tax	($599,528)
10	Total Expense	$1,113,410
11		
12	Earnings	($1,113,410)
13		
14		
15	**FICA Adjustment**	
16	Electric Distribution O&M Expense Adjustment	$172,080
17		
18	Delaware Distribution	58.58%
19		
20	Delaware Distribution Expense	$100,811
21		
22	State Income Tax	($8,771)
23	Federal Income Tax	($32,214)
24	Total Expense	$59,826
25		
26	Earnings	($59,826)
27		
28	Total Earnings Adjustment	($1,173,236)

Delmarva Power & Light Company
Delaware Distribution
Wage, Salary, and FICA Expense Adjustment Details
12 Months Ending December 2012

(1) Line No.	(2) Month	(4) Rate	(5) Local 1238 Level	(6) Storm Adjustments	(7) Adjusted Local 1238 Level	(8) Rate	(9) Local 1307 Level	(10) Storm Adjustments	(11) Adjusted Local 1307 Level	(12) Rate	(13) Management Level	(14) Storm Adjustments	(15) Adjusted Management Level	(16) Total	(17) 12 Month Total
1	January 12		1,590,483		1,590,483		817,898		817,898		2,981,207		2,981,207	5,389,588	
2	February 12		1,453,519		1,453,519		748,953		748,953		2,837,762		2,837,762	5,040,234	
3	March 12		1,749,236		1,749,236		843,865		843,865		2,906,703		2,906,703	5,499,805	
4	April 12		1,338,557		1,338,557		690,427		690,427		2,907,543		2,907,543	4,936,527	
5	May 12		1,392,934		1,392,934		720,754		720,754		3,024,075		3,024,075	5,137,764	
6	June 12		1,838,572		1,838,572		955,857		955,857		3,097,756		3,097,756	5,892,185	
7	July 12		1,976,284	(352,823)	1,623,461		980,269	(151,210)	829,059		3,247,015	(393,621)	2,853,394	5,305,914	
8	August 12		1,934,599		1,934,599		962,702		962,702		3,132,020		3,132,020	6,029,322	
9	September 12		1,437,133		1,437,133		785,931		785,931		3,061,165		3,061,165	5,284,230	
10	October 12		1,275,890		1,275,890		627,925		627,925		2,832,649		2,832,649	4,736,464	
11	November 12		2,342,424	(508,645)	1,833,779		1,279,795	(313,860)	965,935		3,558,808	(396,895)	3,161,913	5,961,627	
12	December 12		1,398,926		1,398,926		705,453		705,453		3,001,141		3,001,141	5,105,520	64,319,180
13	January 13	2.00%			1,622,293	2.00%			834,256	3.00%			3,070,643	5,527,192	
14	February 13	2.25%			1,486,223	2.00%			763,932	3.00%			2,922,895	5,173,050	
15	March 13	2.25%			1,788,594	2.00%			860,742	3.00%			2,993,904	5,643,241	
16	April 13	2.25%			1,368,674	2.00%			704,235	3.00%			2,994,770	5,067,679	
17	May 13	2.25%			1,424,276	2.00%			735,169	3.00%			3,114,797	5,274,242	
18	June 13	2.25%			1,879,939	2.00%			974,975	3.00%			3,190,689	6,045,603	
19	July 13	2.25%			1,659,989	2.25%			847,713	3.00%			2,938,996	5,446,697	
20	August 13	2.25%			1,978,127	2.25%			984,363	3.00%			3,225,981	6,188,472	
21	September 13	2.25%			1,469,469	2.25%			803,615	3.00%			3,153,000	5,426,084	
22	October 13	2.25%			1,304,597	2.25%			642,053	3.00%			2,917,629	4,864,279	
23	November 13	2.25%			1,875,039	2.25%			987,669	3.00%			3,256,771	6,119,478	
24	December 13	2.25%			1,430,401	2.25%			721,326	3.00%			3,091,176	5,242,903	
25	January 14	2.25%			1,658,795	2.25%			853,027	3.00%			3,162,763	5,674,584	
26	February 14	2.50%			1,523,379	2.25%			781,121	3.00%			3,010,582	5,315,081	
27	March 14	2.50%			1,833,309	2.25%			880,109	3.00%			3,083,721	5,797,139	
28	April 14	2.50%			1,402,891	2.25%			720,081	3.00%			3,084,613	5,207,585	
29	May 14	2.50%			1,459,882	2.25%			751,711	3.00%			3,208,241	5,419,834	
30	June 14	2.50%			1,926,938	2.25%			996,912	3.00%			3,286,409	6,210,259	
30	July 14	2.50%			1,701,489	2.50%			868,906	3.00%			3,027,166	5,597,560	
30	August 14	2.50%			2,027,581	2.50%			1,008,972	3.00%			3,322,760	6,359,313	
30	September 14	2.50%			1,506,206	2.50%			823,705	3.00%			3,247,590	5,577,501	
30	October 14	2.50%			1,337,212	2.50%			658,104	3.00%			3,005,157	5,000,474	67,521,712

Lake Consulting, Inc.
7200 Bradley Boulevard
Bethesda, MD 20817
301-365-1964

May 23, 2013

Eileen M Kennedy
Accounting Program Manager
PEPCO Holdings, Inc.
PO Box 9239
Newark, DE 19714

Dear Eileen:

Here are the results of our medical trend survey for the second quarter of 2013. This represents the projected trends in use for the second quarter of 2013. Six companies in the region participated, and we thank all of them. We present the company by company results, the mean, the median, and the range of rates in each category of plan.

- For this quarter four of the seven categories showed a change from the mean average projected first quarter 2013 trends. HMO showed a decrease of 0.6%. POS, PPO and CDHP each showed a decrease of 0.1%.
- When compared to last quarter, two of the six companies made changes to their projected trends. One company decreased HMO, PPO, POS, Pharmacy and CDHP 0.5%. Another company decreased HMO 3.3% and PPO 0.3%, increased Pharmacy 0.4% and decreased CDHP 0.3%.
- The HMO second quarter 2013 mean average trend decreased 0.6% from first quarter 2013. One company decreased this trend 3.3%, and another company decreased it 0.5%. All other companies left this trend unchanged.
- The POS second quarter 2013 mean average trend showed a 0.1% decrease from this trend for first quarter 2013. One company decreased this trend 0.5%. All other companies left this trend unchanged.
- The PPO second quarter 2013 mean average trend showed a 0.1% decrease from this trend for first quarter 2013. One company decreased this trend 0.5% and another company decreased it 0.3%. All other companies left this trend unchanged.
- The Indemnity second quarter 2013 mean average trend shows no change from this trend for first quarter 2013. All five companies with Indemnity business left their trends unchanged.
- The Dental second quarter 2013 mean average trend showed no change from this trend for first quarter 2013. All companies left this trend unchanged.

- The Pharmacy second quarter 2013 mean average trend showed no change from this trend for first quarter 2013. One company decreased it 0.5% and another company increased it 0.4%. All other companies left this trend unchanged.
- The Consumer Driven Health Plan second quarter 2013 mean average trend showed a 0.1% decrease from this trend for first quarter 2013. One company decreased this trend 0.5% and another company decreased it 0.3%. All other companies left this trend unchanged.
- In the second quarter 2013 trend survey, no companies reported CDHP Pharmacy trend being different from the trend for CDHP base plans.

This quarter, the mean average projected CDHP trend is the lowest medical trend at 8.8% with trends ranging from 5.4% to 11.5%. HMO trend is also at 8.8% with trends ranging from 5.2% to 11.5%. POS has the next lowest trend at 9.2% with trends ranging from 7.1% to 11.5%. The PPO trend is the next lowest at 9.5% with trends ranging from 7.4% to 11.5%. Current Indemnity trends are still the highest of the medical trends at 11.1%, with a range of 9.0% to 16.5%. Dental trends are lower than medical, 6.0% mean average, with a range from 5.0% to 7.8%. Pharmacy trends, at 8.8% mean average, have a range from 5.0% to 11.5%.

We also want to show you these trends over time, so we have summarized by type of medical plan the trends since we began this survey. You will be able to see at a glance how your plan has compared with other plans. During the fifty-seven quarters we have collected data for all but CDHP (of which sixteen are displayed), we see the following changes:

- The mean average of HMO trends has increased from 5.3% to 8.8%.
- The mean average of POS trends has increased from 6.6% to 9.2%.
- The mean average of PPO trends has increased from 9.3% to 9.5%.
- The mean average of Indemnity trends is still at a low of 11.1%.
- The mean average of Pharmacy trends is at its low of 8.8%.
- The mean average of CDHP trends is lower at 8.8%.

We hope you will find these results both interesting and of value. We will send another survey soon, asking for third quarter 2013. Again, we thank you for your interest.

Sincerely,

Gary D. Lake, FSA
Consulting Actuary

Jon R. Jennings
Consultant

Enclosures

Participating Companies

Aetna/USHealthCare

CareFirst of Maryland

CareFirst of Washington, DC

CIGNA HealthCare, Mid Atlantic

Kaiser Foundation of the Mid-Atlantic States

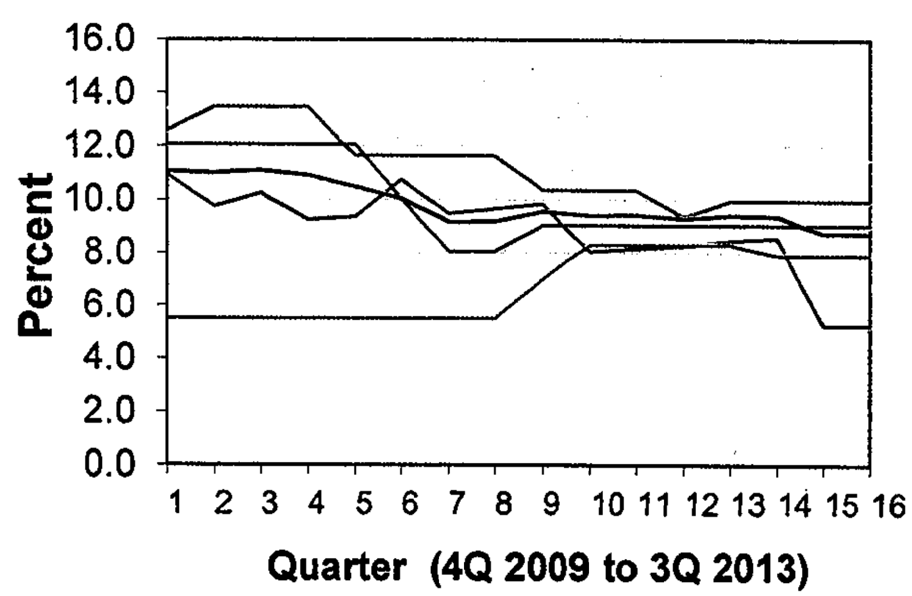
UnitedHealth Group

LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY

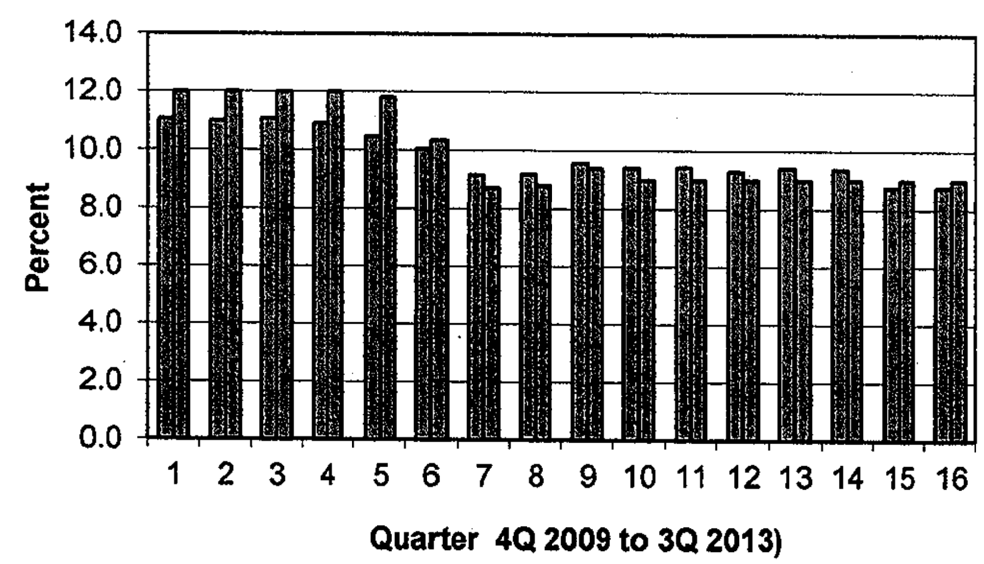
VA, MD, DC Area
HMO Summary for 4Q 2009 to 3Q 2013

	Co. C	[redacted]	Mean Ave	Median	Low	High
4 Q 2009	13.4	[redacted]	[redacted]	[redacted]	5.5	13.4
1 Q 2010	13.4	[redacted]	[redacted]	[redacted]	5.5	13.4
2 Q 2010	13.4	[redacted]	[redacted]	[redacted]	5.5	13.4
3 Q 2010	13.4	[redacted]	[redacted]	[redacted]	5.5	13.4
4 Q 2010	12.5	[redacted]	[redacted]	[redacted]	5.5	12.5
1 Q 2011	12.5	[redacted]	[redacted]	[redacted]	5.5	12.5
2 Q 2011	12.5	[redacted]	[redacted]	[redacted]	5.5	12.5
3 Q 2011	12.5	[redacted]	[redacted]	[redacted]	5.5	12.5
4 Q 2011	12.3	[redacted]	[redacted]	[redacted]	7.0	12.3
1 Q 2012	12.0	[redacted]	[redacted]	[redacted]	8.0	12.0
2 Q 2012	12.0	[redacted]	[redacted]	[redacted]	8.1	12.0
3 Q 2012	12.0	[redacted]	[redacted]	[redacted]	8.2	12.0
4 Q 2012	12.0	[redacted]	[redacted]	[redacted]	8.3	12.0
1 Q 2013	12.0	[redacted]	[redacted]	[redacted]	7.9	12.0
2 Q 2013	11.5	[redacted]	[redacted]	[redacted]	5.2	11.5
3 Q 2013	11.5	[redacted]	[redacted]	[redacted]	5.2	11.5

Company HMO Trends
4Q 2009 to 3Q 2013



HMO Mean & Median Trends
4Q 2009 to 3Q 2013



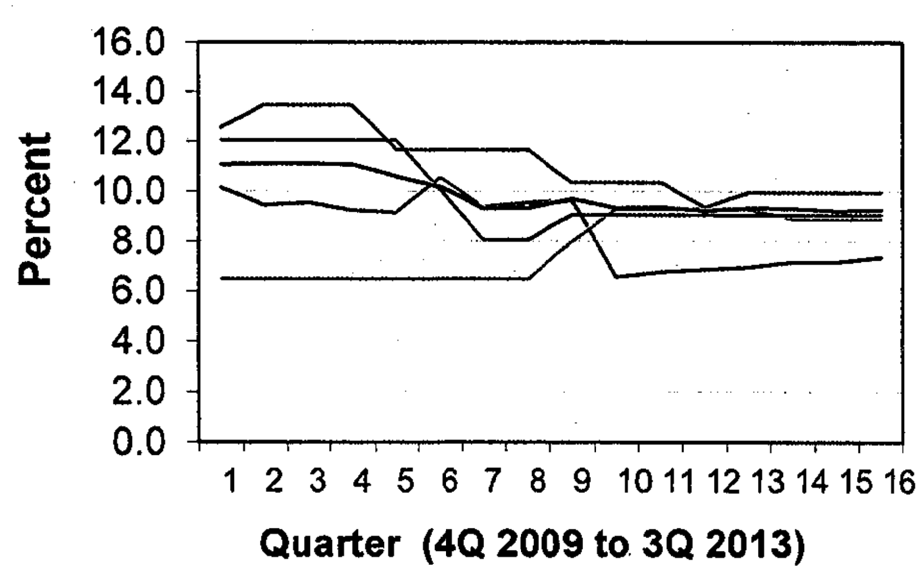
Schedule (JCZ-R)-3.1

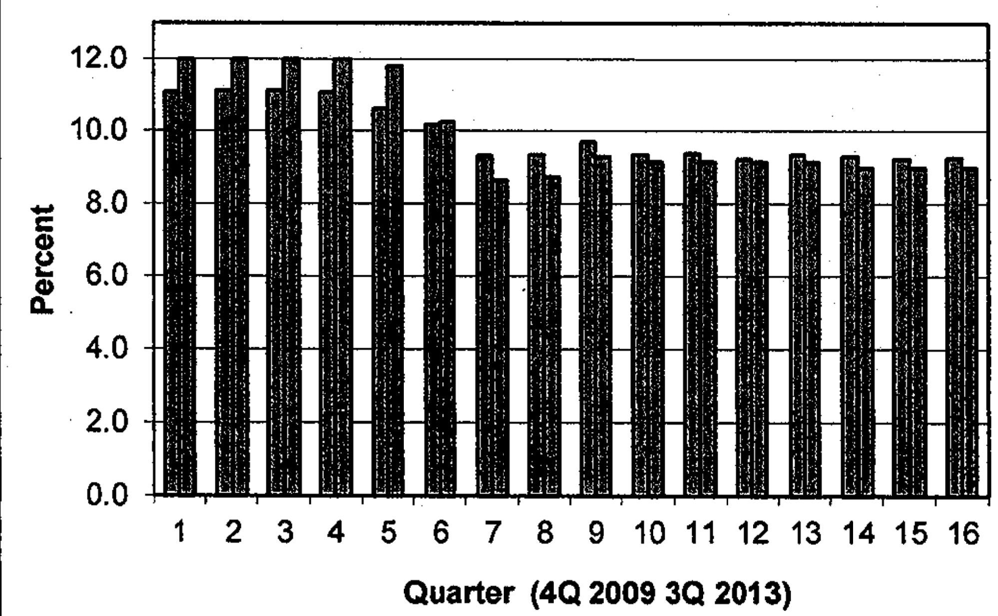
LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

POS Summary for 4Q 2009 to 3Q 2013

	Co. C	[redacted]	Mean Ave	Median	[redacted] Low	High
4 Q 2009	13.4	[redacted]	11.1	12.0	6.5	13.4
1 Q 2010	13.4	[redacted]	11.1	12.0	6.5	13.4
2 Q 2010	13.4	[redacted]	11.1	12.0	6.5	13.4
3 Q 2010	13.4	[redacted]	11.1	12.0	6.5	13.4
4 Q 2010	12.5	[redacted]	10.6	11.8	6.5	12.5
1 Q 2011	12.5	[redacted]	10.2	10.3	6.5	12.5
2 Q 2011	12.5	[redacted]	9.3	8.7	6.5	12.5
3 Q 2011	12.5	[redacted]	9.4	8.8	6.5	12.5
4 Q 2011	12.3	[redacted]	9.7	9.3	8.0	12.3
1 Q 2012	12.0	[redacted]	9.4	9.2	6.5	12.0
2 Q 2012	12.0	[redacted]	9.4	9.2	6.7	12.0
3 Q 2012	12.0	[redacted]	9.2	9.2	6.8	12.0
4 Q 2012	12.0	[redacted]	9.4	9.2	6.9	12.0
1 Q 2013	12.0	[redacted]	9.3	9.0	7.1	12.0
2 Q 2013	11.5	[redacted]	9.2	9.0	7.1	11.5
3 Q 2013	11.5	[redacted]	9.3	9.0	7.3	11.5



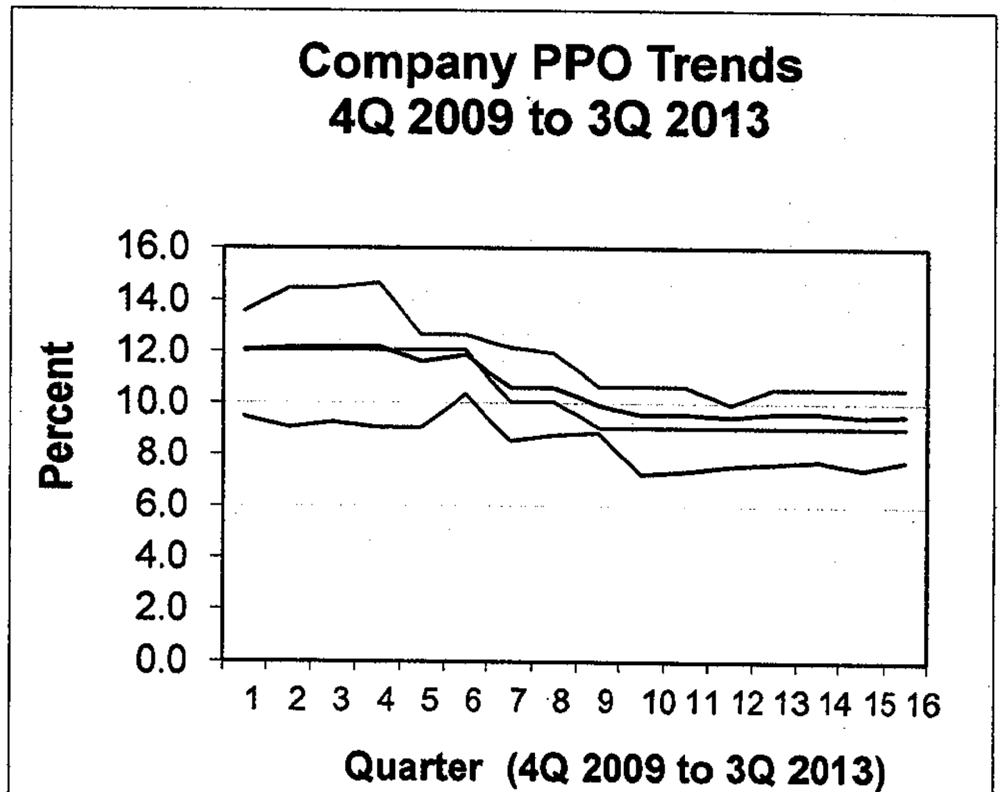


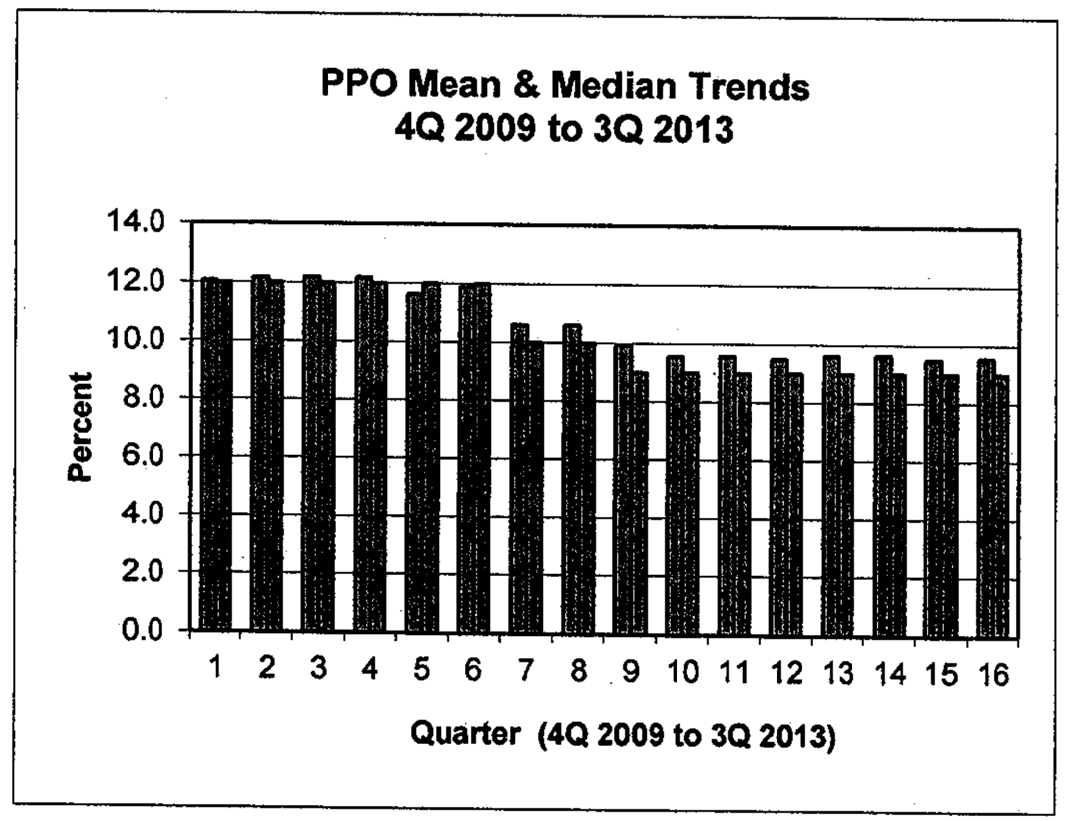
LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

PPO Summary for 4Q 2009 to 3Q 2013

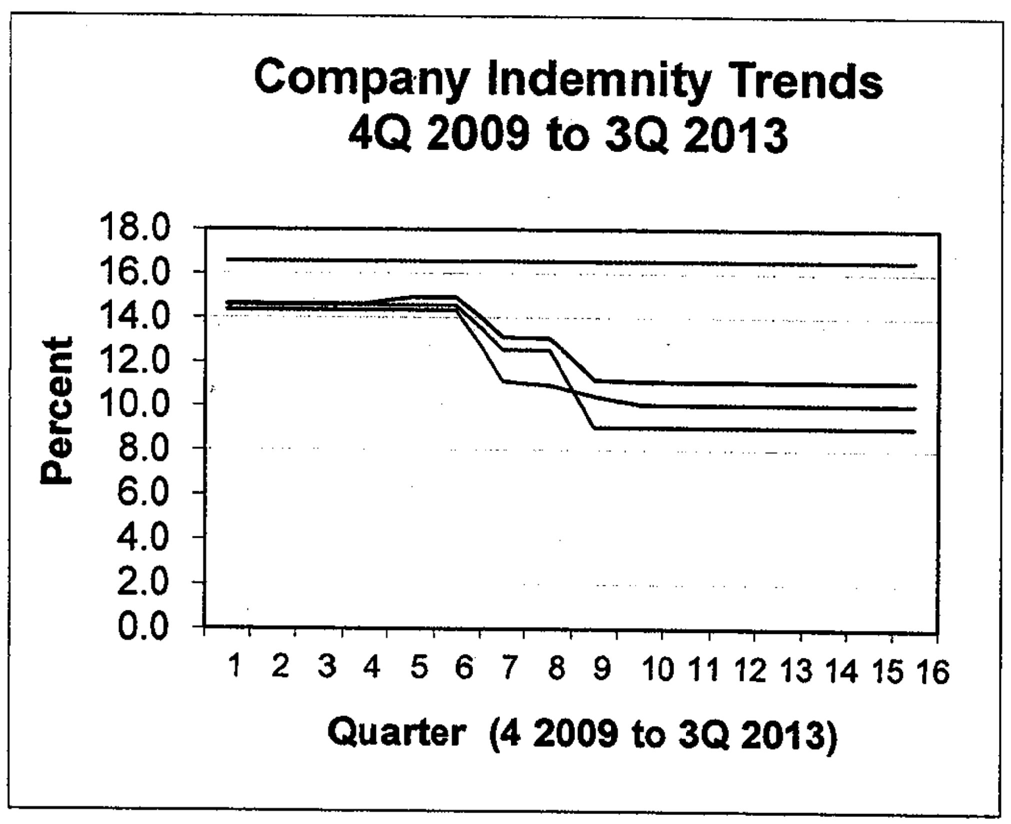
	Co. C	[redacted]	Mean Ave	Median	Low	High
4 Q 2009	13.4	[redacted]	12.1	12.0	9.4	13.5
1 Q 2010	13.4	[redacted]	12.2	12.0	9.0	14.4
2 Q 2010	13.4	[redacted]	12.2	12.0	9.2	14.4
3 Q 2010	13.4	[redacted]	12.2	12.0	9.0	14.6
4 Q 2010	12.5	[redacted]	11.6	12.0	9.0	12.6
1 Q 2011	12.5	[redacted]	11.9	12.0	10.3	12.6
2 Q 2011	12.5	[redacted]	10.5	10.0	8.5	12.5
3 Q 2011	12.5	[redacted]	10.6	10.0	8.7	12.5
4 Q 2011	12.3	[redacted]	9.9	9.0	8.8	12.3
1 Q 2012	12.0	[redacted]	9.6	9.0	7.2	12.0
2 Q 2012	12.0	[redacted]	9.6	9.0	7.3	12.0
3 Q 2012	12.0	[redacted]	9.5	9.0	7.5	12.0
4 Q 2012	12.0	[redacted]	9.6	9.0	7.6	12.0
1 Q 2013	12.0	[redacted]	9.6	9.0	7.7	12.0
2 Q 2013	11.5	[redacted]	9.5	9.0	7.4	11.5
3 Q 2013	11.5	[redacted]	9.5	9.0	7.7	11.5

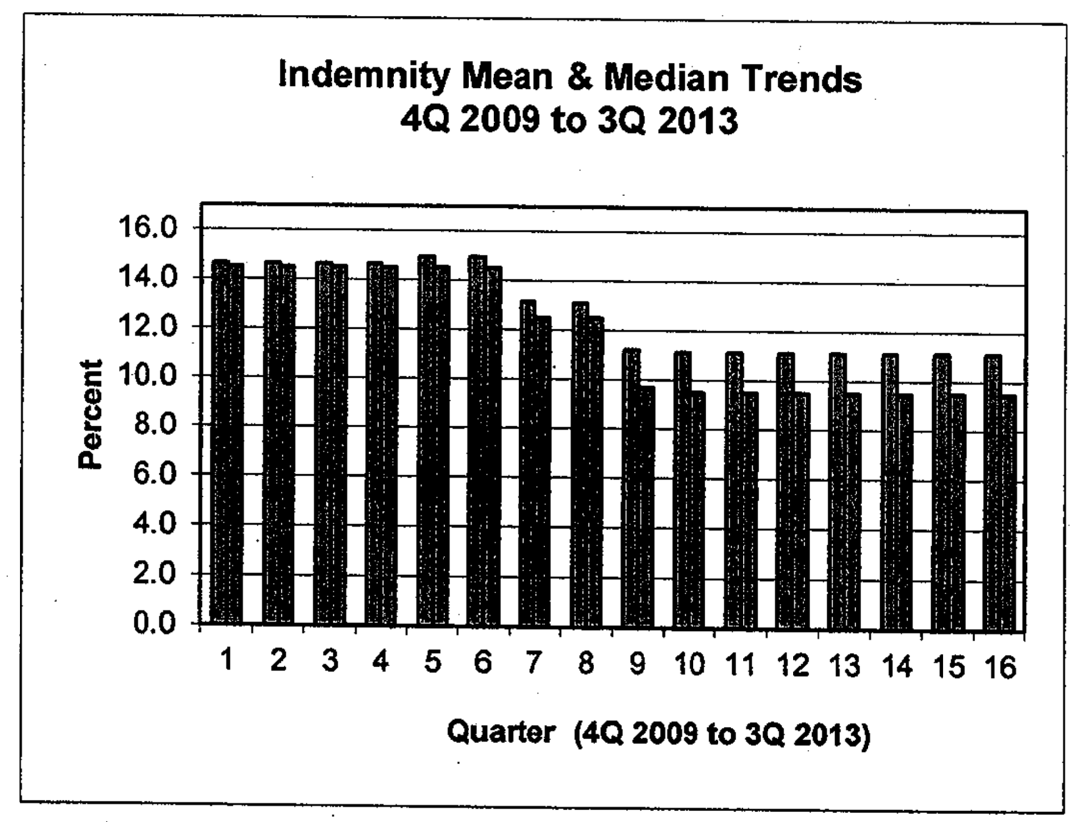




LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY
VA, MD, DC Area
Indemnity Summary for 4Q 2009 to 3Q 2013

	Co. C	[redacted]	Low	High
4 Q 2009	13.4		13.4	16.5
1 Q 2010	13.4		13.4	16.5
2 Q 2010	13.4		13.4	16.5
3 Q 2010	13.4		13.4	16.5
4 Q 2010			14.3	16.5
1 Q 2011			14.3	16.5
2 Q 2011			11.1	16.5
3 Q 2011			10.9	16.5
4 Q 2011			9.0	16.5
1 Q 2012			9.0	16.5
2 Q 2012			9.0	16.5
3 Q 2012			9.0	16.5
4 Q 2012			9.0	16.5
1 Q 2013			9.0	16.5
2 Q 2013			9.0	16.5
3 Q 2013			9.0	16.5





Schedule (JCZ-R)-3.1

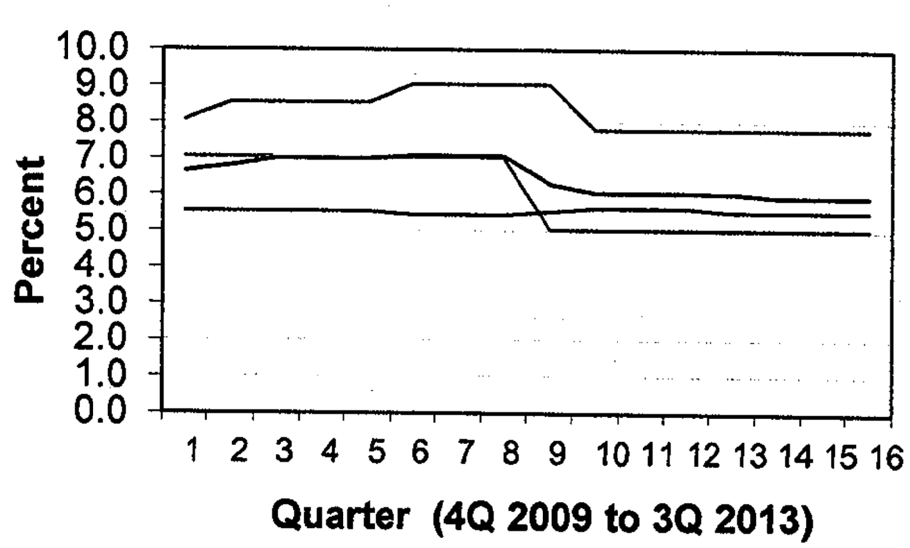
LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

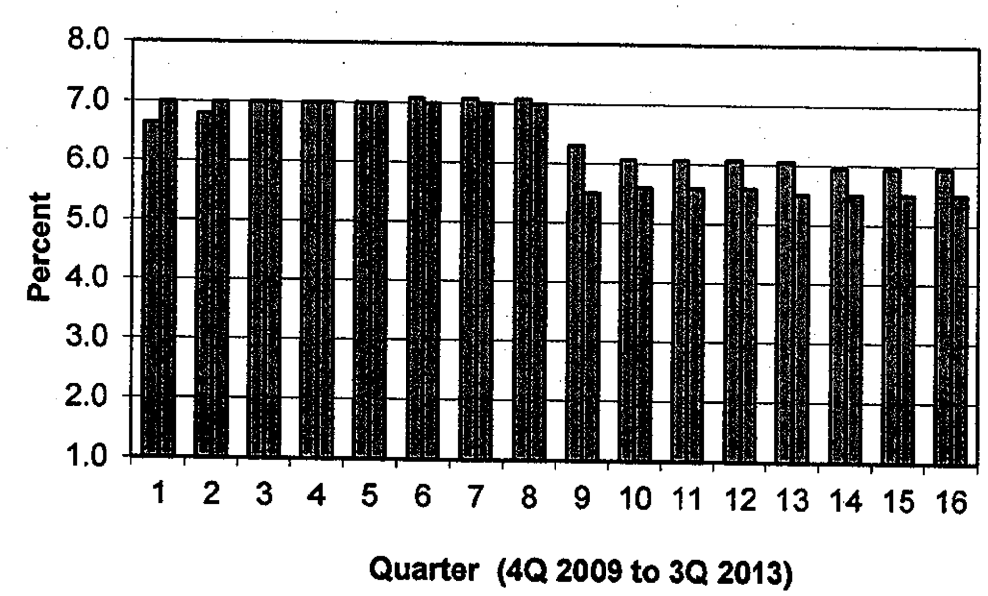
Dental Summary for 4Q 2009 to 3Q 2013

	Co. C	[redacted]	Low	High
4 Q 2009	5.7	[redacted]	5.5	8.0
1 Q 2010	6.0	[redacted]	5.5	8.5
2 Q 2010	7.0	[redacted]	5.5	8.5
3 Q 2010	7.0	[redacted]	5.5	8.5
4 Q 2010	7.0	[redacted]	5.5	8.5
1 Q 2011	7.0	[redacted]	5.4	9.0
2 Q 2011	7.0	[redacted]	5.4	9.0
3 Q 2011	7.0	[redacted]	5.4	9.0
4 Q 2011	7.0	[redacted]	5.0	9.0
1 Q 2012	7.0	[redacted]	5.0	7.8
2 Q 2012	7.0	[redacted]	5.0	7.8
3 Q 2012	7.0	[redacted]	5.0	7.8
4 Q 2012	7.0	[redacted]	5.0	7.8
1 Q 2013	6.5	[redacted]	5.0	7.8
2 Q 2013	6.5	[redacted]	5.0	7.8
3 Q 2013	6.5	[redacted]	5.0	7.8

Company Dental Trends
4Q 2009 to 3Q 2013



Dental Mean & Median Trends
4Q 2009 to 3Q 2013



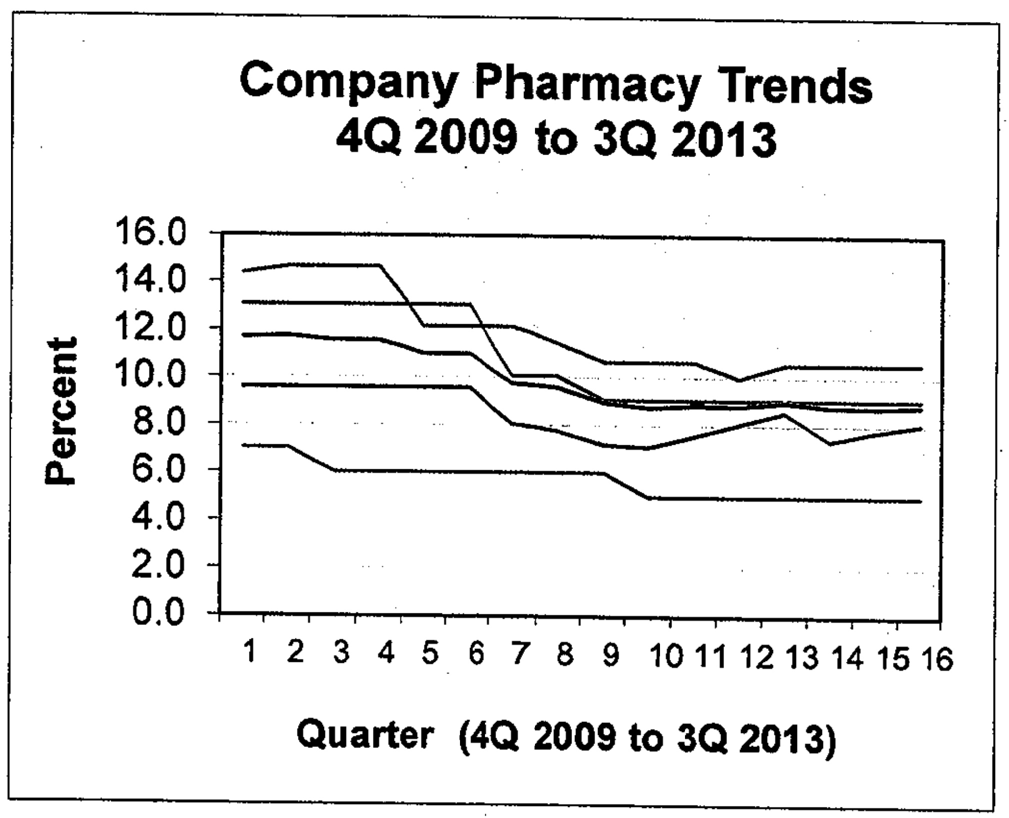
Schedule (JCZ-R)-3.1

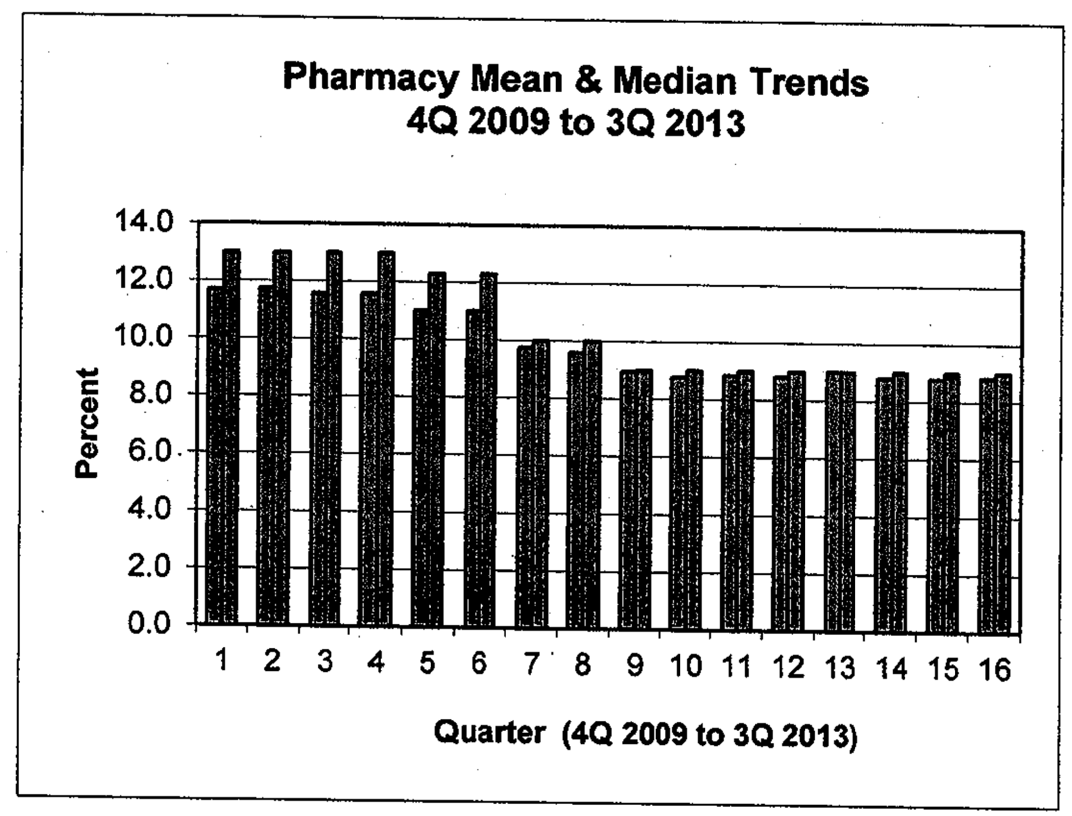
LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

Pharmacy Summary for 4Q 2009 to 3Q 2013

	Co. C	[redacted]	Low	High
4 Q 2009	13.4	[redacted]	7.0	14.3
1 Q 2010	13.4	[redacted]	7.0	14.6
2 Q 2010	13.4	[redacted]	6.0	14.6
3 Q 2010	13.4	[redacted]	6.0	14.6
4 Q 2010	12.5	[redacted]	6.0	13.0
1 Q 2011	12.5	[redacted]	6.0	13.0
2 Q 2011	12.5	[redacted]	6.0	12.5
3 Q 2011	12.5	[redacted]	6.0	12.5
4 Q 2011	12.0	[redacted]	6.0	12.0
1 Q 2012	12.0	[redacted]	5.0	12.0
2 Q 2012	12.0	[redacted]	5.0	12.0
3 Q 2012	12.0	[redacted]	5.0	12.0
4 Q 2012	12.0	[redacted]	5.0	12.0
1 Q 2013	12.0	[redacted]	5.0	12.0
2 Q 2013	11.5	[redacted]	5.0	11.5
3 Q 2013	11.5	[redacted]	5.0	11.5

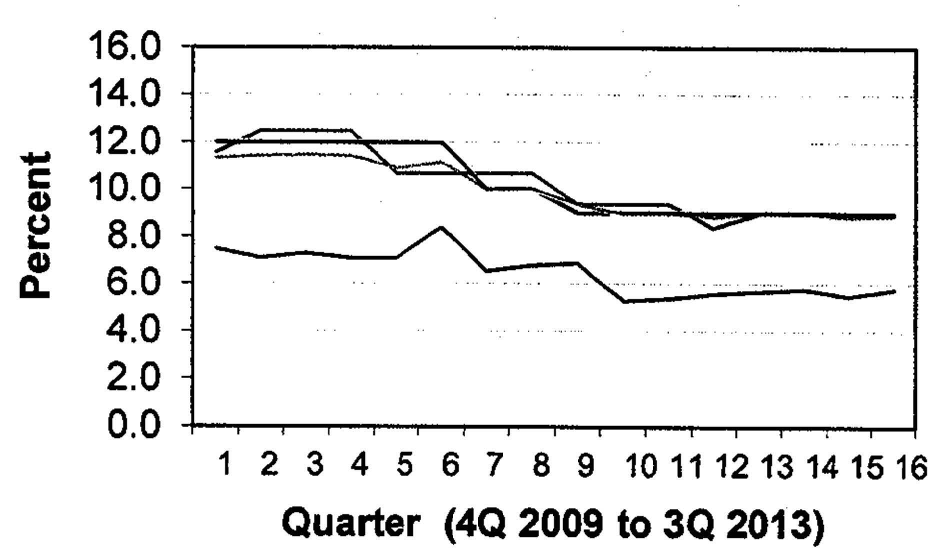




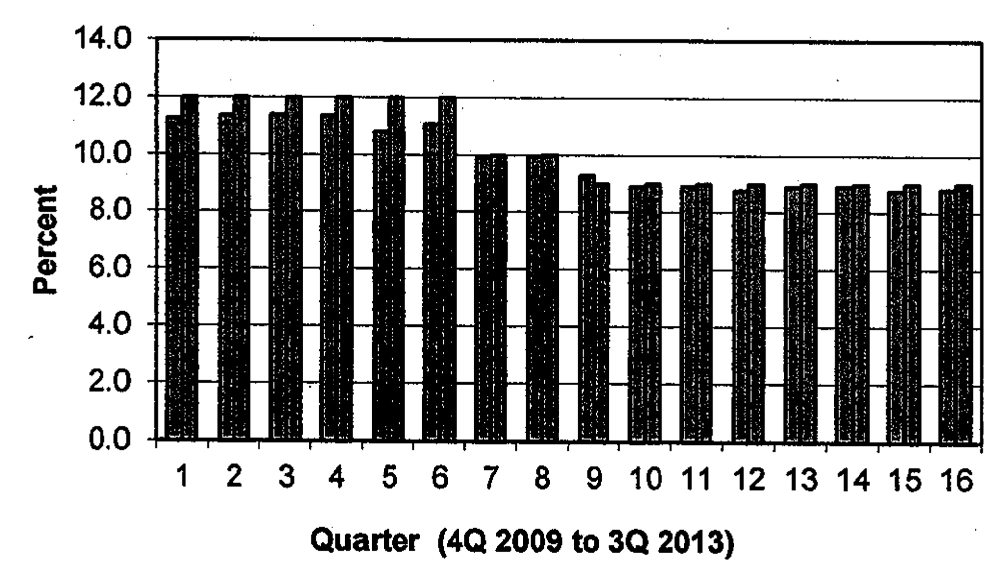
LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY
VA, MD, DC Area
CDHP Summary for 4Q 2009 to 3Q 2013

	Co. C	[redacted]	Low	High
4 Q 2009	13.4	[redacted]	7.4	13.4
1 Q 2010	13.4	[redacted]	7.0	13.4
2 Q 2010	13.4	[redacted]	7.2	13.4
3 Q 2010	13.4	[redacted]	7.0	13.4
4 Q 2010	12.5	[redacted]	7.0	12.5
1 Q 2011	12.5	[redacted]	8.3	12.5
2 Q 2011	12.5	[redacted]	6.5	12.5
3 Q 2011	12.5	[redacted]	6.7	12.5
4 Q 2011	12.3	[redacted]	6.8	12.3
1 Q 2012	12.0	[redacted]	5.2	12.0
2 Q 2012	12.0	[redacted]	5.3	12.0
3 Q 2012	12.0	[redacted]	5.5	12.0
4 Q 2012	12.0	[redacted]	5.6	12.0
1 Q 2013	12.0	[redacted]	5.7	12.0
2 Q 2013	11.5	[redacted]	5.4	11.5
3 Q 2013	11.5	[redacted]	5.7	11.5

Company CDHP Trends
4Q 2009 to 3Q 2013

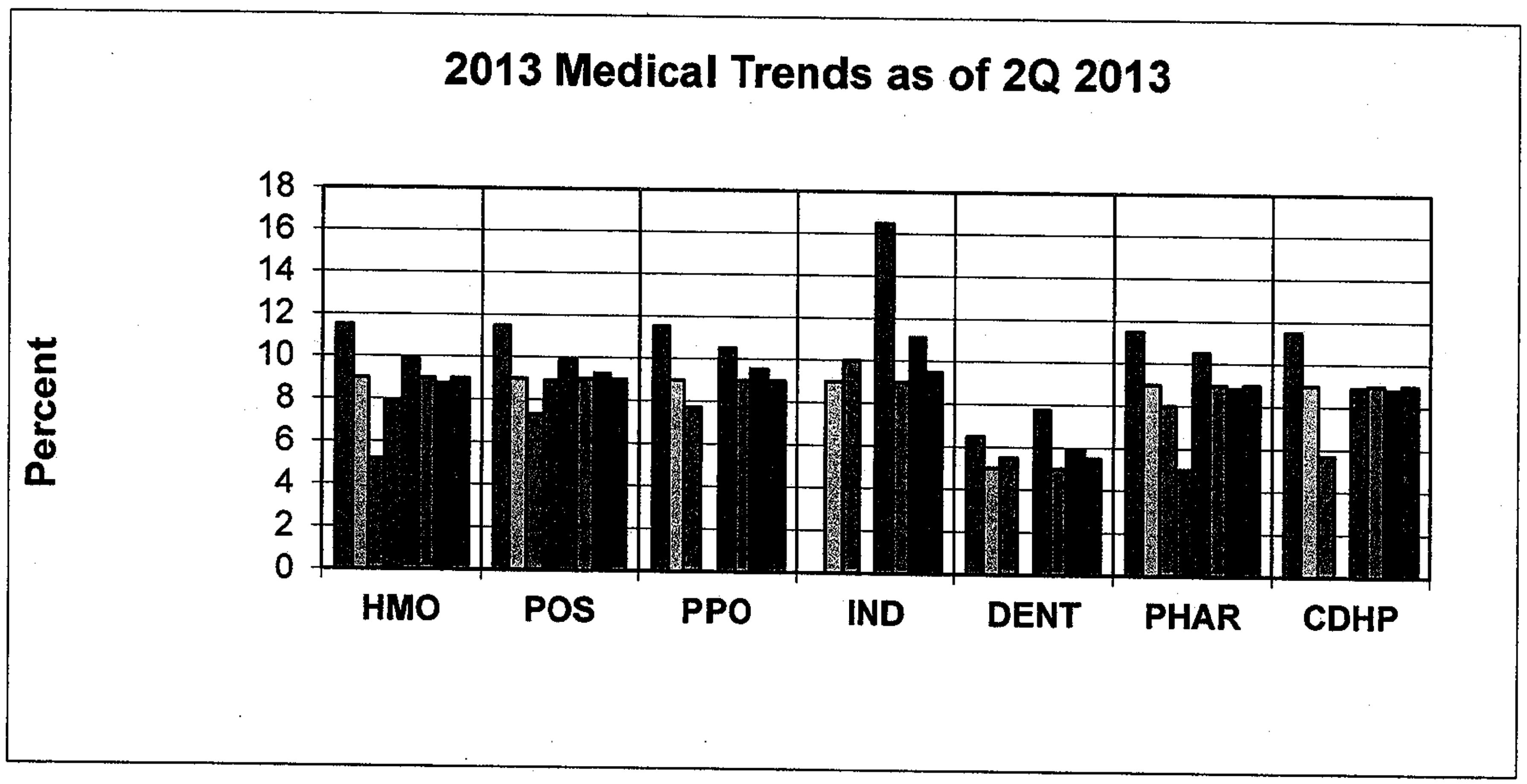


CDHP Mean & Median Trends
4Q 2009 to 3Q 2013



LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY
VA, MD, DC Area
Annual Medical Trends Being Used for 3rd Quarter 2013

	[redacted]	Company D	Company E	[redacted]	[redacted]	Company I	[redacted]	[redacted]	Low	[redacted]
HMO	[redacted]	9.0	5.2	[redacted]	[redacted]	9.0	[redacted]	[redacted]	5.2	[redacted]
POS	[redacted]	9.0	7.3	[redacted]	[redacted]	9.0	[redacted]	[redacted]	7.3	[redacted]
PPO	[redacted]	9.0	7.7	[redacted]	[redacted]	9.0	[redacted]	[redacted]	7.7	[redacted]
Indemnity	[redacted]	9.0	10.0	[redacted]	[redacted]	9.0	[redacted]	[redacted]	9.0	[redacted]
Dental	[redacted]	5.0	5.5	[redacted]	[redacted]	5.0	[redacted]	[redacted]	5.0	[redacted]
Pharmacy	[redacted]	9.0	8.0	[redacted]	[redacted]	9.0	[redacted]	[redacted]	5.0	[redacted]
CDHP	[redacted]	9.0	5.7	[redacted]	[redacted]	9.0	[redacted]	[redacted]	5.7	[redacted]



Delmarva Power & Light Company
Delaware Distribution
Amortize Dynamic Pricing Regulatory Asset
12 Months Ending December 2012

(1) Line No.	(2) Item	Adjustment 20a (3) Inception Through Through August 2013	Adjustment 20b (4) September 2013 Through October 2013	(5) Inception Through Through October 2013
1	**Earnings**			
2	Amortization	$ 336,629	$ 54,744	$ 391,373
3	Delaware Distribution Allocation Factor	100%	100%	100%
4	Delaware Distribution Amount	$ 336,629	$ 54,744	$ 391,373
5	State Income Tax (1)	$ (29,287)	$ (4,763)	$ (34,049)
6	Federal Income Tax	$ (107,570)	$ (17,493)	$ (125,063)
7	Total Expenses	$ 199,773	$ 32,488	$ 232,260
8	Earnings	$ (199,773)	$ (32,488)	$ (232,260)
9				
10	**Rate Base**			
11	Average Amortizable Balance	$ 4,881,123	$ 793,783	$ 5,674,906
12	Delaware Distribution Allocation Factor	100%	100%	100%
13	Delaware Distribution Amount	$ 4,881,123	$ 793,783	$ 5,674,906
14	Deferred State Income Tax (2)	$ (424,658)	$ (69,059)	$ (493,717)
15	Deferred Federal Income Tax	$ (1,559,763)	$ (253,653)	$ (1,813,416)
16	Net Rate Base	$ 2,896,702	$ 471,070	$ 3,367,773
17				
18				
19	(1) DP&L Delaware	$ 5,049,437	$ 821,155	$ 5,870,592
20	Amortization period - years	15	15	15
21	Annual amortization amount	$ 336,629	$ 54,744	$ 391,373
22				
23	(2) DP&L Delaware - beg balance	$ 5,049,437	$ 821,155	$ 5,870,592
24	DP&L Delaware - end balance	$ 4,712,808	$ 766,411	$ 5,479,219
25	DP&L Delaware - avg balance	$ 4,881,123	$ 793,783	$ 5,674,906
26				
27				
28				
29	DPL DE Electric DLC Regulatory Asset - $ through October 2013			
30				
31	Item	Actual $ - Inception Through Through August 2013	Forecast $ - September 2013 Through October 2013	Total $ - Inception Through Through October 2013
32	Outbound Calls for DP Events	$ 244,327	$ 184,085	$ 428,412
33	IT System Support	$ 169,833	$ 33,333	$ 203,166
34	Customer Education	$ 1,173,138	$ 260,417	$ 1,433,555
35	DP Analysis/Support	$ 200,720	$ 17,577	$ 218,297
36	Amortization Expense - Dynamic Pricing-Related MDMS Costs	$ 2,299,545	$ 197,346	$ 2,496,891
37	Amortization Expense - Dynamic Pricing-Related Billing System Interfaces	$ 853,317	$ 78,867	$ 932,184
38	Total	$ 4,940,878	$ 771,625	$ 5,712,504
39	Returns on DP Regulatory Asset	$ 108,559	$ 49,530	$ 158,089
40	Total	$ 5,049,437	$ 821,155	$ 5,870,592

Schedule (JCZ-R)-5

Delmarva Power & Light Company
Delaware Distribution
Amortize Direct Load Control Regulatory Asset
12 Months Ending December 2012

(1) Line No.	(2) Item	Adjustment 23a (3) Inception Through Through August 2013	Adjustment 23b (4) September 2013 Through December 2013	(5) Inception Through Through December 2013	(6)
1	**Earnings**				
2	Amortization	$ 157,235	$ 502,460	$ 659,695	
3	Delaware Distribution Allocation Factor	100%	100%	100%	
4	Delaware Distribution Amount	$ 157,235	$ 502,460	$ 659,695	
5	State Income Tax (1)	$ (13,679)	$ (43,714)	$ (57,393)	
6	Federal Income Tax	$ (50,244)	$ (160,561)	$ (210,806)	
7	Total Expenses	$ 93,311	$ 298,185	$ 391,496	
8	Earnings	$ (93,311)	$ (298,185)	$ (391,496)	
9					
10	**Rate Base**				
11	Average Amortizable Balance	$ 2,279,909	$ 7,285,670	$ 9,565,579	
12	Delaware Distribution Allocation Factor	100%	100%	100%	
13	Delaware Distribution Amount	$ 2,279,909	$ 7,285,670	$ 9,565,579	
14	Deferred State Income Tax (2)	$ (198,352)	$ (633,853)	$ (832,205)	
15	Deferred Federal Income Tax	$ (728,545)	$ (2,328,136)	$ (3,056,681)	
16	Net Rate Base	$ 1,353,012	$ 4,323,681	$ 5,676,693	
17					
18					
19	(1) DP&L Delaware	$ 2,358,527	$ 7,536,900	$ 9,895,427	
20	Amortization period - years	15	15	15	
21	Annual amortization amount	$ 157,235	$ 502,460	$ 659,695	
22					
23	(2) DP&L Delaware - beg balance	$ 2,358,527	$ 7,536,900	$ 9,895,427	
24	DP&L Delaware - end balance	$ 2,201,292	$ 7,034,440	$ 9,235,732	
25	DP&L Delaware - avg balance	$ 2,279,909	$ 7,285,670	$ 9,565,579	
26					
27					
28					
29	DPL DE Electric DLC Regulatory Asset - Forecasted $ through December 2013				
30					
31	Item	Inception Through Through August 2013	September 2013 Through December 2013	Inception Through Through December 2013	Total Program Costs
32	O&M	$ 400,681	$ 1,246,165	$ 1,646,846	$ 5,019,632
33	Customer Bonus	$ 321,420	$ 736,980	$ 1,058,400	$ 2,781,000
34	Marketing	$ 893,694	$ 1,780,656	$ 2,674,350	$ 6,114,350
35	Equipment	$ 735,236	$ 3,638,308	$ 4,373,544	$ 11,491,710
36	Residential		$ 50,000	$ 50,000	$ 50,000
37	Total	$ 2,351,030	$ 7,452,110	$ 9,803,140	$ 25,456,692
38	Returns on DLC Regulatory Asset	$ 7,497	$ 84,790	$ 92,287	
39	Total	$ 2,358,527	$ 7,536,900	$ 9,895,427	
40					
41	# of Units (Switch & Thermostat) Deployed	7,490	12,110	19,600	51,600
42	% of Total	14.52%	23.47%	37.98%	100.00%

Delmarva Power
Delaware Distribution
2013 Actual Reliability Closings

(1) Line No.	(2) Item	(3) $
1	**Rate Base**	
2	Plant in Service	
3	Reliability closings January 2013 - August 2013	$44,693,537
4	Retirements January 2013 - August 2013	($9,326,445)
5	Adjustment to Plant in Service	$35,367,092
6		
7	Depreciation reserve	
8	Retirements January 2013 - August 2013	($9,326,445)
9	Depreciation expense	$463,309
10	Adjustment to Depreciation Reserve	($8,863,136)
11		
12	Net Plant	$44,230,228
13		
14	Deferred Taxes	($4,354,181)
15		
16	Total Rate Base	$39,876,047
17		
18	**Earnings**	
19	Depreciation Expense	
20	Reliability closings January 2013 - August 2013	$1,170,971
21	Retirements January 2013 - August 2013	($244,353)
22	Adjustment to Depreciation Expense	$926,618
23		
24	State Income Tax	($1,944,169)
25	Federal Income Tax	($7,140,910)
26	Deferred State Income Tax	$1,863,553
27	Deferred Federal Income Tax	$6,844,809
28		
29	Operating Expense	$549,901
30		
31	Operating Income	($549,901)
32		
33	Total Earnings	($549,901)

Tax Depreciation		
Basis		$44,693,537
Rate		50.00%
Tax Depreciation exp		$22,346,768
SIT	8.70%	($1,944,169)
FIT	35.00%	($7,140,910)
Deferred Tax Basis		
Tax Deprec Exp		$22,346,768
Book Deprec Exp		$926,618
Tax over Book		$21,420,150
DSIT	8.70%	$1,863,553
DFIT	35.00%	$6,844,809

Delmarva Power
Delaware Distribution
2013 Actual Reliability Closings

Adjustment 26a

(1) Line No.	(2) WBS Element	(3) Reliability Project Delaware District Location and Description	(4) January	(5) February	(6) March	(7) April	(8) May	(9) June	(10) July	(11) August	(12) 2013 TOTAL
1	UDLBLM7M	Millsboro District System Planning Recommended Feeder Load Relief	$958	$45,948	$3,598	$27,080	$1,722	$0	$31,302	$21,619	$132,226
2	UDLBRDA1D	Millsboro District, Distribution Automation Equipment Installation	$0	$0	$0	$650	$0	$0	$0	$0	$650
3	UDLBRM3M1	Millsboro District Emergency Repair/Replacements Distribution Line Equipment	($10,802)	$198,124	$453,708	$34,168	$144,373	$153,565	$77,799	$124,214	$1,175,150
4	UDLBRM4MA	Millsboro District Reliability/District Office Minor Distribution System Improvements	$14,309	$24,454	$29,414	$86,482	$32,329	$61,258	$100,765	$59,506	$408,517
5	UDLBRM4MC	Millsboro District Replace Underground Distribution Cable (URD) Segments	$26,460	$58,269	$24,535	$246,005	$49,123	$28,436	$59,688	$161,411	$653,927
6	UDLBRM4MD	Millsboro District Planned Replacement Underground Distribution Cable (URD) Loops	$44,520	$143,318	$207,198	$574,274	$516,777	$127,368	$44,771	$454	$1,658,679
7	UDLBRM4ME	Millsboro District Deteriorated Pole Replacement	$0	$1,230	$0	$23,489	$0	$3,250	$5,794	$0	$33,763
8	UDLBRM4MF	Millsboro District Priority Circuit Improvements	$0	$98,048	$52,287	$100,360	$194,235	$453,292	$306,234	$53,936	$1,258,391
9	UDLBRM4MJ	Millsboro District Planned Replacement of Distribution Reclosers	($4,031)	$0	$38,939	$96,960	$49,518	$49	$8,595	$9,528	$199,558
10	UDLBRM4MM	Millsboro District Customer Reliability Improvements	$24,120	$12,037	$15,171	$15,493	$17,612	$41,384	$45,083	$9,964	$180,864
11	UDLBRM4RC	Bishop Substation - Lines Upgrade - DE	$0	$0	$0	$0	$0	$0	$273,558	$108,765	$382,323
12	UDLBRM63M	Millsboro District Feeder Reliability Equipment & Design Improvements	$5,886	$1,006,356	$158,655	$222,484	$11,985	$766,206	$164,398	$40,401	$2,376,371
13	UDLBRM8BB	Millsboro District Wyoming - Convert to 25kV Circuit 2233	$0	$0	$0	$0	$0	$50,174	($0)	$1,125	$51,300
14	UDLNLM7C	Christiana District, System Planning Recommended Feeder Load Relief	$0	$0	$0	$6,411	$0	$38,752	$3,002	$2,113	$50,277
15	UDLNRDA1	North East District Distribution Automation Equipment Installation	$0	$0	$0	$0	$0	$388	$0	$0	$388
16	UDLNRDA1C	Christiana District, Distribution Automation Equipment Installation	$3,215	$0	$0	$166,053	$117,751	$50,975	$9,737	$165,719	$513,451
17	UDLNRM3C1	Christiana District Emergency Repair/Replacements Distribution Line Equipment	$136,579	$959,405	$4,020,081	($178,218)	$2,536,389	$120,088	$420,830	$3,532,410	$11,547,563
18	UDLNRM4CA	Millsboro District Reliability/District Office Minor Distribution System Improvements	$49,146	$114,006	$184,263	$390,246	$54,772	$51,426	$42,385	$9,012	$895,254
19	UDLNRM4CC	Christiana District Replace Underground Distribution Cable (URD) Segments	$17,397	$181,456	$0	$44,196	$0	$41,343	$15,607	$1,346,323	$1,646,323
20	UDLNRM4CD	Christiana District Planned Replacement Underground Distribution Cable (URD) Loops	$488,037	$9,749	$0	$368,685	$0	$52,215	$167,433	$145,637	$1,231,756
21	UDLNRM4CE	Christiana District Deteriorated Pole Replacement	$16,454	$38,942	$86,742	$373,952	$66,255	$17,907	$11,776	$80,770	$692,798
22	UDLNRM4CF	Christiana District Priority Circuit Improvements	$184,178	($12,947)	$9,453	$202,740	$68,995	$89,191	$66,013	$253,271	$860,893
23	UDLNRM4CJ	Christiana District Planned Replacement of Distribution Reclosers	$0	$0	$36,120	$121,111	$36,406	$6,401	$0	$21,847	$221,886
24	UDLNRM4CM	Christiana District Customer Reliability Improvements	$46,906	$86,051	$36,379	$82,121	$69,412	$9,808	$84,477	$46,015	$461,169
25	UDLNRM4CR	Wilmington Network Upgrade	$0	$0	$0	$0	$93,567	$1,065	$0	$0	$94,631
26	UDLNRM5ND	Christiana District Line Upgrades for NERC Compliance	$0	$0	$0	$6,196	$21,440	$2,650	$0	$0	$30,287
27	UDLNRM5SC	Christiana District Christiana Substation Feeder relocation	$23,389	$0	$27,548	$0	$0	$0	$0	$0	$50,937
28	UDLNRM5SD	Christiana District Reconductor Feeder DE0217	$0	$0	$0	$0	$147,092	$6,496	($1,123)	$0	$152,465
29	UDLNRM5SE	Christiana District Cable Replacement for New Substation Switch Gears	$63,374	$0	$0	$141,449	$194,294	$38,359	$145,752	$1,533	$584,761
30	UDLNRM63C	Christiana District Feeder Reliability Equipment & Design Improvements	$39,232	$69,995	$267,105	$232,097	$397	$9,160	$63	$49,368	$667,418
31	UDLNRM9SB	Christiana District Replace Steel Poles along 4th St. Wilm	$3,165	$0	$0	$7,751	$21,398	$36,822	$0	$78,470	$147,606
32	UDLNRM9SC	Montchanin Sub: Relocate 34kV and 12kV Circuits	$0	$4,416	$0	$0	$0	$0	$0	$0	$4,416
33	UDSBLM73A	Millsboro Substation - Upgrade #2 Transformer Disconnect Switch	$0	$0	$0	$0	$0	$49,734	$2,950	$3,060	$55,744
34	UDSBRD71D	Millsboro District Emergency Repair/Replacements Distribution Sub Equipmen	$0	$0	$0	$115,884	$23,024	($23,872)	$0	$0	$115,036
35	UDSBRD8AD	Millsboro District Substation Planned Improvements	$79,662	$0	$0	$0	($14,820)	$0	$0	$20	$64,863
36	UDSBRD8BD	Millsboro District Misc Relay Blanket	$0	$0	$0	$0	$0	$96,419	$1,351	$0	$97,771
37	UDSBRD8ED	Millsboro District Distribution Substation Battery Replacements	$0	$0	$33,867	$1,469	$0	$0	$1	$227	$35,565
38	UDSBRD8FD	Millsboro District Distribution Substation Bushing Replacements	$1,641	$0	$0	$0	$0	$25,762	$0	$0	$27,403
39	UDSBRD8G3	Millsboro District purchase 138/25kV Mobile Unit	$0	$0	$0	$0	$0	$0	$0	$157	$157
40	UDSBRD8ID	Millsboro District Distribution Substation Control House Roofs Replacements)	$0	($6,028)	$8,843	$0	$0	$0	$0	$5	$2,819
41	UDSBRD9D	IR: Salisbury & Centerville Districts Distribution Substation Breaker Replacements	$0	$8,008	$0	$0	$0	$354,175	$5,181	$85	$367,449
42	UDSBRD9DD	Millsboro District Distribution Substation Breaker Replacements	$32,959	$11,092	$0	($88,920)	$5,771	$0	$287	$168	($38,643)
43	UDSNRD71D	Christiana District Emergency Repair/Replacements Distribution Sub Equipmen	$0	$0	$0	$0	$55,758	$0	$0	$888	$56,646
44	UDSNRD8AD	Christiana District Substation Planned Improvements	$0	$0	$0	$0	$0	$0	$0	$2	$2
45	UDSNRD8ED	Christiana District Distribution Substation Battery Replacements	$0	$0	$0	$0	$0	$0	$0	$84	$84
46	UDSNRD8FD	Christiana District Distribution Substation Bushing Replacements	$0	$0	$0	$0	$15,792	$399	$0	$228	$16,419
47	UDSNRD8G	Christiana District Spare Distribution Transformer	$0	$937,904	$0	$0	$0	$0	$0	$12	$937,916
48	UDSNRD8GD	Christiana Substation. Upgrade #2 Transformer	$0	$0	$2,096,499	$27,724	($19,616)	$0	$18,467	$1,449	$2,124,523
49	UDSNRD8MD	Christiana District Substations Upgrades to SCADA/RTU	$0	$0	$0	$0	$0	$16,757	$9,272	$24,657	$50,687
50	UDSNRD8Q	North East District Distribution Substation Containment for SPCC	$11,521	$0	$0	$0	$0	$0	$0	$54	$11,575
51	UDSNRD8SC	Christiana District Bear Substation: Replace Failed T-3 Unit	$0	$0	$0	$0	$0	$0	($42,733)	$0	($42,733)
52	UDSNRD8SE	Christiana District Silverbrook substation - Replace Failed #3 Transformer	$0	$0	$0	$0	$0	$0	$1,446,837	($21,127)	$1,425,710
53	UDSNRD8VD	Christiana District Installation Cyber Security Improvements	$0	$0	$0	$251,030	$0	$0	$0	$0	$251,030
54	UDSNRD9DD	Christiana District Distribution Substation Breaker Replacements	$7,157	$0	$0	$324,874	$0	$913,250	$13,958	$24,268	$1,283,507
55	UDSNRD9FD	Christiana District REPLACE/UPGRADE Potential Transformers	$0	$0	$0	$0	$1,638	$7,674	$51,035	$212	$60,559
56	UDSNRD9HD	Christiana District Replace 34.5kV Capacitor Banks	$0	$287,497	$9,595	($12,925)	$0	$44,908	$0	$260	$329,335
57	UDSNRD9SE	Edge Moor Substation- Upgrade 12kV Main Breakers	$0	$0	$0	$0	$0	$91,491	$450	$0	$91,941
58	UDSNRD9SG	Christiana District MONTCHANIN SUB INSTALL 34.5-12kV XFRM	$0	$0	$0	($5,203)	$207,929	$0	($33,452)	$0	$169,274
59	UDSNRD9SJ	Christiana District MILFORD CROSSROADS T2 UPGRADE	$0	$0	$0	$695,664	$5,791	$28,905	($12,090)	$24	$718,295
60	UDSNRDA1C	Christiana District Distribution Automation: Christiana Substations	$0	$0	$0	$0	$2,366,458	$4,515	$1,846,646	$3,391	$4,221,010
61	UDSNRM61D	Christiana District Substation Reliability Equipment & Design Improvements	$0	$0	$0	$0	$1,825,037	$132,065	($25,827)	$10,652	$1,941,926
62	UORBOBR1M	Millsboro District Distribution Automation Communication Work - Collector to Data Network	$0	$0	$106,229	($1,900)	$0	$0	$0	$86	$104,415
63	UORNOBR1C	Christiana District Distribution Automation Communication Work - Collector to Data Network	$0	$0	$0	$34,151	$18,448	$40,361	$75,205	$33,700	$201,866
64	UORNODA1C	Christiana District Distribution Automation Communication Work - Install Radios in Line Equipment	$0	$0	$0	$99,923	$86,172	$67,171	$17,248	$171,687	$442,202
65	UORNORBSC	Christiana District Distribution Automation Communication Work Install Broad Band Wireless Base Station	$0	$0	$1,120,081	$83,108	$0	$0	$0	$0	$1,203,189
66		TOTALS	$1,305,431	$4,277,330	$9,026,312	$4,917,115	$9,023,224	$4,107,742	$5,458,724	$6,577,658	$44,693,537

Delmarva Power
Delaware Distribution
2013 Forecasted Reliability Closings

(1) Line No.	(2) Item	(3) $
1	**Rate Base**	
2	Plant in Service	
3	Reliability closings September 2013 - December 2013	$20,569,879
4	Retirements September 2013 - December 2013	($4,660,000)
5	Adjustment to Plant in Service	$15,909,879
6		
7	Depreciation reserve	
8	Retirements September 2013 - December 2013	($4,660,000)
9	Depreciation expense	$208,419
10	Adjustment to Depreciation Reserve	($4,451,581)
11		
12	Net Plant	$20,361,460
13		
14	Deferred Taxes	($2,005,938)
15		
16	Total Rate Base	$18,355,521
17		
18	**Earnings**	
19	Depreciation Expense	
20	Reliability closings September 2013 - December 2013	$538,931
21	Retirements September 2013 - December 2013	($122,092)
22	Adjustment to Depreciation Expense	$416,839
23		
24	State Income Tax	($894,790)
25	Federal Income Tax	($3,286,552)
26	Deferred State Income Tax	$858,525
27	Deferred Federal Income Tax	$3,153,352
28		
29	Operating Expense	$247,373
30		
31	Operating Income	($247,373)
32		
33	Total Earnings	($247,373)

Tax Depreciation

Basis		$20,569,879
Rate		50.00%
Tax Depreciation exp		$10,284,940
SIT	8.70%	($894,790)
FIT	35.00%	($3,286,552)
Deferred Tax Basis		
Tax Deprec Exp		$10,284,940
Book Deprec Exp		$416,839
Tax over Book		$9,868,101
DSIT	8.70%	$858,525
DFIT	35.00%	$3,153,352

Delmarva Power
Delaware Distribution
2013 Forecasted Reliability Closings

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Adjustment 26b

(1) Line No.	(2) WBS Element	(3) Reliability Project Delaware District Location and Description	(4) September	(5) October	(6) November	(7) December	(8) 2013 TOTAL
1	UDLBLM7M	Millsboro District System Planning Recommended Feeder Load Relief	$19,572	$34,114	$26,406	$74,723	$154,815
2	UDLBRM3M1	Millsboro District Emergency Repair/Replacements Distribution Line Equipment	$138,631	$122,357	$233,432	$229,005	$723,425
3	UDLBRM4MA	Millsboro District Reliability/District Office Minor Distribution System Improvements	$64,969	$68,731	$48,399	$19,808	$201,907
4	UDLBRM4MC	Millsboro District Replace Underground Distribution Cable (URD) Segments	$103,511	$83,051	$99,547	$84,864	$370,973
5	UDLBRM4MD	Millsboro District Planned Replacement Underground Distribution Cable (URD) Loops	$193,431	$153,407	$193,435	$91,599	$631,872
6	UDLBRM4ME	Millsboro District Deteriorated Pole Replacement	$0	$17,840	$0	$0	$17,840
7	UDLBRM4MF	Millsboro District Priority Circuit Improvements	$79,185	$126,424	$5,334	$5,667	$216,610
8	UDLBRM4MJ	Millsboro District Planned Replacement of Distribution Reclosers	$0	$59,582	$20,331	$0	$79,913
9	UDLBRM4MM	Millsboro District Customer Reliability Improvements	$11,888	$70,443	$59,594	$8,450	$150,375
10	UDLBRM4MQ	Millsboro District Distribution Upgrades to Devices Experiencing Multi Operations	$58,928	$72,942	$0	$0	$131,870
11	UDLBRM5ND	Millsboro District Line Upgrades for NERC Compliance	$60,725	$79,039	$0	$0	$139,764
12	UDLBRM63M	Millsboro District Feeder Reliability Equipment & Design Improvements	$326,832	$357,557	$614,453	$37,818	$1,336,660
13	UDLNLM7C	Christiana District, System Planning Recommended Feeder Load Relief	$37,952	$50,069	$34,733	$22,324	$145,078
14	UDLNRDA1C	Christiana District, Distribution Automation Equipment Installation	$0	$220,487	$227,979	$0	$448,466
15	UDLNRM3C1	Christiana District Emergency Repair/Replacements Distribution Line Equipment	$847,802	$818,066	$1,001,544	$860,766	$3,528,178
16	UDLNRM4CA	Millsboro District Reliability/District Office Minor Distribution System Improvements	$155,917	$164,952	$170,727	$160,097	$651,693
17	UDLNRM4CC	Christiana District Replace Underground Distribution Cable (URD) Segments	$124,756	$125,203	$82,599	$63,200	$395,758
18	UDLNRM4CD	Christiana District Planned Replacement Underground Distribution Cable (URD) Loops	$157,967	$188,535	$147,514	$166,147	$660,163
19	UDLNRM4CE	Christiana District Deteriorated Pole Replacement	$34,826	$35,953	$37,727	$10,861	$119,367
20	UDLNRM4CF	Christiana District Priority Circuit Improvements	$349,827	$24,727	$0	$0	$374,554
21	UDLNRM4CH	Christiana District Avian Protection	$10,763	$1,570	$0	$0	$12,333
22	UDLNRM4CJ	Christiana District Planned Replacement of Distribution Reclosers	$59,037	$62,289	$20,937	$0	$142,263
23	UDLNRM4CM	Christiana District Customer Reliability Improvements	$53,533	$53,741	$0	$0	$107,274
24	UDLNRM4CQ	Christiana District Distribution Upgrades to Devices Experiencing Multi Operations	$61,577	$64,488	$0	$0	$126,065
25	UDLNRM4CR	Wilmington Network Upgrade	$27,238	$28,907	$104,612	$27,905	$188,662
26	UDLNRM5SE	Christiana District Cable Replacement for New Substation Switch Gears	$0	$79,399	$82,097	$80,617	$242,113
27	UDLNRM63C	Christiana District Feeder Reliability Equipment & Design Improvements	$304,349	$463,103	$861,396	$640,247	$2,269,095
28	UDLNRM8SE	Christiana District.-Rebuild Overhead Rear Lot Distribution System	$77,479	$21,680	$0	$0	$99,159
29	UDSBRD71D	Millsboro District Emergency Repair/Replacements Distribution Sub Equipmen	$0	$0	$996	$57,632	$58,628
30	UDSBRD8AD	Millsboro District Substation Planned Improvements	$468	$0	$0	$0	$468
31	UDSBRD8BD	Millsboro District Misc Relay Blanket	$19,738	$329	$0	$601	$20,668
32	UDSBRD8DD	Millsboro District Laurel substation - DPU Replacement	$19,445	$52,829	$19,933	$41,262	$133,469
33	UDSBRD8FD	Millsboro District Distribution Substation Bushing Replacements	$0	$42,456	$0	$638	$43,094
34	UDSBRD8G	Millsboro District - PHI Spare Transformers	$165,367	$5,590	$2,452	$2,362	$175,771
35	UDSBRD8ID	Millsboro District Distribution Substation Control House Roofs Replacements)	$67,015	$0	$0	$638	$67,653
36	UDSBRD8MD	Millsboro District Substations Upgrades to SCADA/RTU	$12,347	$0	$2,018	$2,825	$17,190
37	UDSBRD8PD	Millsboro District Reg Distribution Substation Misc Equip Retirement	$0	$0	$0	$5,272	$5,272
38	UDSBRD8VD	Millsboro District, Installation Cyber Security Improvements	$151,435	$558	$570	$0	$152,563
39	UDSBRD9DD	Millsboro District Distribution Substation Breaker Replacements	$24,618	$14,801	$6,450	$2,993	$48,862
40	UDSBRD9SF	Millsboro District Millsboro Substation - Replace T1	$167,240	$316,759	$2,729	$1,913	$488,641
41	UDSBRDA1D	Millsboro District, Substation Distribution Automation Bay DE	$1,894	$6,552	$4,078	$3,188	$15,712
42	UDSNRD71D	Christiana District Emergency Repair/Replacements Distribution Sub Equipmen	$6,980	$10,722	$41,747	$13,492	$72,941
43	UDSNRD8AD	Christiana District Substation Planned Improvements	$0	$3,940	$38,307	$7,118	$49,365
44	UDSNRD8BD	Christiana District Misc Relay Blanket	$1,613	$2,577	$17,434	$0	$21,624
45	UDSNRD8ED	Christiana District Distribution Substation Battery Replacements	$10,889	$0	$0	$0	$10,889
46	UDSNRD8FD	Christiana District Distribution Substation Bushing Replacements	$21,361	$13,008	$33,631	$3,460	$71,460
47	UDSNRD8G	Christiana District Spare Distribution Transformer	$3,157	$280,021	$170,854	$2,219	$456,251
48	UDSNRD8G1	Christiana District- Purchase 138/69 -12 kV Mobile XFMRs	$0	$3,288	$481,484	$0	$484,772
49	UDSNRD8MD	Christiana District Substations Upgrades to SCADA/RTU	$70,641	$20,371	$5,956	$0	$96,968
50	UDSNRD8PD	Christiana District Reg Distribution Substation Misc Equip Retirement	$879	$4,589	$5,811	$1,977	$13,256
51	UDSNRD8SA	Churchmans Substation RECLOSER REMOVAL	$24,250	$1,315	$0	$0	$25,565
52	UDSNRD8SE	Christiana District Silverbrook substation - Replace Failed #3 Transformer	$52,355	$0	$0	$0	$52,355
53	UDSNRD8SI	Chapel Street Substation - Resupply Station Service	$0	$0	$17,959	$9,676	$27,635
54	UDSNRD8VD	Christiana District Installation Cyber Security Improvements	$15,049	$212,033	$165,413	$0	$392,495
55	UDSNRD9DD	Christiana District Distribution Substation Breaker Replacements	$154,015	$173,684	$143,124	$45,486	$516,309
56	UDSNRD9FD	Christiana District REPLACE/UPGRADE Potential Transformers	$24,994	$6,985	$0	$0	$31,979
57	UDSNRD9HD	Christiana District Replace 34.5kV Capacitor Banks	$27,589	$99,943	$70,631	$34,011	$232,174
58	UDSNRD9KA	Milford Crossroads Substation 12kV Switchgear Replacement	$208,734	$265,634	$242,390	$157,088	$873,846
59	UDSNRD9KB	Bear Substation -- 12kV Switchgear Replacement	$335,020	$271,961	$147,984	$36,474	$791,439
60	UDSNRD9SK	West Substation - Replace T-2 69/34 kV 18 MVA Transformer	$9,996	$277,424	$128,132	$86,557	$502,109
61	UDSNRD9ZD	Christiana District Replace Deteriorated Switches	$16,580	$1,315	$0	$3,954	$21,849
62	UDSNRDA1C	Christiana District Distribution Automation: Christiana Substations	$113,296	$131,407	$42,701	$4,882	$292,286
63	UDSNRM61D	Christiana District Substation Reliability Equipment & Design Improvements	$32,670	$0	$0	$0	$32,670
64	UDSNRMT2	Milltown Substation Move Feeder to 640	$41,496	$24,421	$4,555	$0	$70,472
65	UOIBRASRD	Millsboro District, Distribution Automation Automatic Sectionalizing and Restoration Equipment Installation	$0	$0	$0	$3,494	$3,494
66	UOINRASRD	Christiana District, Distribution Automation Automatic Sectionalizing and Restoration Equipment Installation	$12,178	$12,717	$17,357	$7,039	$49,291
67	UORBORBSM	Millsboro District Distribution Automation Communication Work Install Broad Band Wireless Base Station	$21,821	$19,396	$9,977	$5,569	$56,763
68	UORBORSSM	Millsboro District Distribution Automation Communication Work Install Broad Band Wireless Substation Subscriber Radios	$26,669	$11,719	$12,863	$5,480	$56,731
69	UORNOBR1C	Christiana District Distribution Automation Communication Work - Collector to Data Network	$79,257	$65,383	$23,611	$11,054	$179,305
70	UORNODA1C	Christiana District Distribution Automation Communication Work - Install Radios in Line Equipment	$3,996	$30,864	$31,686	$0	$66,546
71	UORNORBSC	Christiana District Distribution Automation Communication Work Install Broad Band Wireless Base Station	$30,597	$10,626	$9,343	$5,647	$56,213
72	UORNORSSC	Christiana District Distribution Automation Communication Work Install Broad Band Wireless Substation Subscriber Radios	$35,842	$16,220	$10,169	$4,360	$66,591
73		TOTALS	$5,372,186	$6,060,093	$5,985,141	$3,152,459	$20,569,879

Delmarva Power & Light Company
Delaware Distribution
Amortization of Loss/Gain on Refinancings
12 Months Ending December 2012

(1) Line No.	(2) Item	(3) First Mortgage Bonds Aug-93	(4) Demand Rate Bonds Nov-93	(5) Tax Exempt Bonds Sep-00	(6) Tax Exempt Bonds Sep-00	(7) Tax Exempt Bonds Sep-00	(8) Tax Exempt Bonds Oct-00
1	Total Company	$702,894	$348,751	$576,741	$1,438,608	$558,772	$235,481
2	Electric Amount Refinanced	$660,720	$327,826	$531,525	$1,325,821	$514,964	$217,019
3	Delaware Electric Distribution %	39.22%	39.22%	39.22%	39.22%	39.22%	39.22%
4	Delaware Electric Distribution	$259,146	$128,579	$208,473	$520,010	$201,978	$85,119
5	Deferred SIT	($22,546)	($11,186)	($18,137)	($45,241)	($17,572)	($7,405)
6	Deferred FIT	($82,810)	($41,087)	($66,618)	($166,169)	($64,542)	($27,200)
7							
8	**Earnings**						
9	Amortization	$10,723	$6,123	$13,898	$26,667	$14,961	$5,007
10	DSIT	($933)	($533)	($1,209)	($2,320)	($1,302)	($436)
11	DFIT	($3,427)	($1,957)	($4,441)	($8,521)	($4,781)	($1,600)
12	Total Expense	$6,364	$3,634	$8,248	$15,826	$8,879	$2,971
13	Earnings	($6,364)	($3,634)	($8,248)	($15,826)	($8,879)	($2,971)
14							
15	**Rate Base**						
16	Amortizable Balance - 12/31/11	$61,659	$17,348	$50,960	$217,782	$32,416	$28,790
17	Amortizable Balance - 12/31/12	$50,936	$11,225	$37,062	$191,115	$17,455	$23,783
18	Average Balance	$56,297	$14,287	$44,011	$204,448	$24,936	$26,287
19							
20	Deferred SIT - 12/31/11	($5,364)	($1,509)	($4,434)	($18,947)	($2,820)	($2,505)
21	Deferred SIT - 12/31/12	($4,431)	($977)	($3,224)	($16,627)	($1,519)	($2,069)
22	Average Balance	($4,898)	($1,243)	($3,829)	($17,787)	($2,169)	($2,287)
23							
24	Deferred FIT - 12/31/11	($19,703)	($5,544)	($16,284)	($69,592)	($10,359)	($9,200)
25	Deferred FIT - 12/31/12	($16,276)	($3,587)	($11,843)	($61,071)	($5,578)	($7,600)
26	Average Balance	($17,990)	($4,565)	($14,064)	($65,331)	($7,968)	($8,400)
27							
28	Net Year End Balance	$30,228	$6,662	$21,994	$113,417	$10,359	$14,114
29							
30	Amortization begin date (a)	August-93	November-93	September-00	September-00	September-00	October-00
31	Amortization period (months)	290	252	180	234	162	204
32	Amortization as of 12/31/11	221	218	136	136	136	135
33	Amortization as of 12/31/12	233	230	148	148	148	147

(a) rounded to nearest full month

Delmarva Power & Light Company
Delaware Distribution
Amortization of Loss/Gain on Refinancings
12 Months Ending December 2012

(1) Line No.	(2) Item	(3) Tax Exempt Bonds Jul-01	(4) Tax Exempt Bonds Jul-01	(5) First Mortgage Bonds Jul-01	(6) Medium Term Notes Jul-01	(7) First Mortgage Bonds Jul-01	(8) Medium Term Notes Jul-01
1	Total Company	$490,000	$690,000	$3,762,881	$3,058,389	$1,634,283	$1,073,753
2	Electric Amount Refinanced	$451,584	$635,904	$3,467,871	$2,818,611	$1,506,155	$989,571
3	Delaware Electric Distribution %	39.22%	39.22%	39.22%	39.22%	39.22%	39.22%
4	Delaware Electric Distribution	$177,119	$249,412	$1,360,158	$1,105,507	$590,740	$388,126
5	Deferred SIT	($15,409)	($21,699)	($118,334)	($96,179)	($51,394)	($33,767)
6	Deferred FIT	($56,598)	($79,700)	($434,638)	($353,265)	($188,771)	($124,026)
7							
8	**Earnings**						
9	Amortization	$8,856	$14,671	$95,450	$56,936	$28,700	$24,907
10	DSIT	($770)	($1,276)	($8,304)	($4,953)	($2,497)	($2,167)
11	DFIT	($2,830)	($4,688)	($30,501)	($18,194)	($9,171)	($7,959)
12	Total Expense	$5,256	$8,707	$56,645	$33,789	$17,032	$14,781
13	Earnings	($5,256)	($8,707)	($56,645)	($33,789)	($17,032)	($14,781)
14							
15	**Rate Base**						
16	Amortizable Balance - 12/31/11	$84,131	$95,364	$357,936	$507,679	$289,391	$126,608
17	Amortizable Balance - 12/31/12	$75,276	$80,692	$262,487	$450,743	$260,691	$101,702
18	Average Balance	$79,704	$88,028	$310,211	$479,211	$275,041	$114,155
19							
20	Deferred SIT - 12/31/11	($7,319)	($8,297)	($31,140)	($44,168)	($25,177)	($11,015)
21	Deferred SIT - 12/31/12	($6,549)	($7,020)	($22,836)	($39,215)	($22,680)	($8,848)
22	Average Balance	($6,934)	($7,658)	($26,988)	($41,691)	($23,929)	($9,931)
23							
24	Deferred FIT - 12/31/11	($26,884)	($30,473)	($114,379)	($162,229)	($92,475)	($40,458)
25	Deferred FIT - 12/31/12	($24,054)	($25,785)	($83,878)	($144,035)	($83,304)	($32,499)
26	Average Balance	($25,469)	($28,129)	($99,128)	($153,132)	($87,889)	($36,478)
27							
28	Net Year End Balance	$44,672	$47,887	$155,773	$267,494	$154,707	$60,355
29							
30	Amortization begin date (a)	July-01	July-01	July-01	July-01	July-01	July-01
31	Amortization period (months)	240	204	171	233	247	187
32	Amortization as of 12/31/11	126	126	126	126	126	126
33	Amortization as of 12/31/12	138	138	138	138	138	138

(a) rounded to nearest full month

Delmarva Power & Light Company
Delaware Distribution
Amortization of Loss/Gain on Refinancings
12 Months Ending December 2012

(1) Line No.	(2) Item	(3) Medium Term Notes Jul-01	(4) Medium Term Notes Jul-01	(5) First Mortgage Bonds Feb-02	(6) Tax Exempt Bonds Jun-02	(7) Tax Exempt Bonds Jun-02
1	Total Company	($595,660)	$1,340,233	$1,388,233	$944,292	$1,313,393
2	Electric Amount Refinanced	($548,960)	$1,235,159	$1,166,115	$793,205	$1,103,250
3	Delaware Electric Distribution %	39.22%	39.22%	39.22%	39.22%	39.22%
4	Delaware Electric Distribution	($215,312)	$484,450	$457,370	$311,109	$432,713
5	Deferred SIT	$18,732	($42,147)	($39,791)	($27,066)	($37,646)
6	Deferred FIT	$68,803	($154,806)	($146,153)	($99,415)	($138,274)
7						
8	**Earnings**					
9	Amortization	($12,984)	$18,936	$22,774	$15,491	$25,330
10	DSIT	$1,130	($1,647)	($1,981)	($1,348)	($2,204)
11	DFIT	$4,149	($6,051)	($7,277)	($4,950)	($8,094)
12	Total Expense	($7,705)	$11,238	$13,515	$9,193	$15,032
13	Earnings	$7,705	($11,238)	($13,515)	($9,193)	($15,032)
14						
15	**Rate Base**					
16	Amortizable Balance - 12/31/11	($78,984)	$285,621	$231,532	$162,654	$189,972
17	Amortizable Balance - 12/31/12	($66,000)	$266,684	$208,758	$147,163	$164,642
18	Average Balance	($72,492)	$276,152	$220,145	$154,909	$177,307
19						
20	Deferred SIT - 12/31/11	$6,872	($24,849)	($20,143)	($14,151)	($16,528)
21	Deferred SIT - 12/31/12	$5,742	($23,202)	($18,162)	($12,803)	($14,324)
22	Average Balance	$6,307	($24,025)	($19,153)	($13,477)	($15,426)
23						
24	Deferred FIT - 12/31/11	$25,239	($91,270)	($73,986)	($51,976)	($60,705)
25	Deferred FIT - 12/31/12	$21,090	($85,219)	($66,709)	($47,026)	($52,611)
26	Average Balance	$23,165	($88,245)	($70,347)	($49,501)	($56,658)
27						
28	Net Year End Balance	($39,168)	$158,264	$123,888	$87,334	$97,707
29						
30	Amortization begin date (a)	July-01	July-01	February-02	June-02	June-02
31	Amortization period (months)	199	307	241	241	205
32	Amortization as of 12/31/11	126	126	119	115	115
33	Amortization as of 12/31/12	138	138	131	127	127

(a) rounded to nearest full month

Delmarva Power & Light Company
Delaware Distribution
Amortization of Loss/Gain on Refinancings
12 Months Ending December 2012

(1) Line No.	(2) Item	(3) First Mortgage Bonds May-03	(4) Tax Exempt Bonds Aug-03	(5) Trust Preferred May-04	(6) First Mortgage Bonds Jun-05	(7) Preferred Stock Jan-07	(8) Tax Exempt Bonds Mar-08
1	Total Company	$1,298,560	$1,347,719	$1,943,173	$4,497,500	$740,468	$439,979
2	Electric Amount Refinanced	$1,090,790	$1,132,084	$1,632,265	$3,777,900	$621,993	$369,582
3	Delaware Electric Distribution %	39.22%	39.22%	39.22%	39.22%	39.22%	39.22%
4	Delaware Electric Distribution	$427,827	$444,023	$640,202	$1,481,757	$243,956	$144,956
5	Deferred SIT	($37,221)	($38,630)	($55,698)	($128,913)	($21,224)	($12,611)
6	Deferred FIT	($136,712)	($141,887)	($204,577)	($473,495)	($77,956)	($46,321)
7							
8	**Earnings**						
9	Amortization	$25,044	$25,992	$37,475	$74,088	$24,396	$6,466
10	DSIT	($2,179)	($2,261)	($3,260)	($6,446)	($2,122)	($563)
11	DFIT	($8,003)	($8,306)	($11,975)	($23,675)	($7,796)	($2,066)
12	Total Expense	$14,862	$15,425	$22,240	$43,967	$14,478	$3,838
13	Earnings	($14,862)	($15,425)	($22,240)	($43,967)	($14,478)	($3,838)
14							
15	**Rate Base**						
16	Amortizable Balance - 12/31/11	$210,783	$225,260	$352,892	$994,012	$121,978	$120,168
17	Amortizable Balance - 12/31/12	$185,739	$199,269	$315,417	$919,924	$97,583	$113,702
18	Average Balance	$198,261	$212,264	$334,154	$956,968	$109,780	$116,935
19							
20	Deferred SIT - 12/31/11	($18,338)	($19,598)	($30,702)	($86,479)	($10,612)	($10,455)
21	Deferred SIT - 12/31/12	($16,159)	($17,336)	($27,441)	($80,033)	($8,490)	($9,892)
22	Average Balance	($17,249)	($18,467)	($29,071)	($83,256)	($9,551)	($10,173)
23							
24	Deferred FIT - 12/31/11	($67,356)	($71,982)	($112,767)	($317,636)	($38,978)	($38,400)
25	Deferred FIT - 12/31/12	($59,353)	($63,676)	($100,791)	($293,962)	($31,182)	($36,333)
26	Average Balance	($63,354)	($67,829)	($106,779)	($305,799)	($35,080)	($37,367)
27							
28	Net Year End Balance	$110,227	$118,256	$187,184	$545,929	$57,910	$67,476
29							
30	Amortization begin date (a)	May-03	August-03	May-04	June-05	Jan-07	Mar-08
31	Amortization period (months)	205	205	205	240	120	269
32	Amortization as of 12/31/11	104	101	92	79	60	46
33	Amortization as of 12/31/12	116	113	104	91	72	58

(a) rounded to nearest full month

Delmarva Power & Light Company
Delaware Distribution
Amortization of Loss/Gain on Refinancings
12 Months Ending December 2012

(1) Line No.	(2) Item	(3) Tax Exempt Bonds Mar-08	(4) Tax Exempt Bonds Mar-08	(5) Tax Exempt Bonds Apr-08	(6) Tax Exempt Bonds Apr-08	(7) Tax Exempt Bonds Nov-08	(8) Tax Exempt Bonds Dec-10
1	Total Company	$668,515	$790,973	$176,784	$655,565	$84,228	$148,731
2	Electric Amount Refinanced	$561,553	$664,417	$148,499	$550,675	$70,752	$124,934
3	Delaware Electric Distribution %	39.22%	39.22%	39.22%	39.22%	39.22%	39.22%
4	Delaware Electric Distribution	$220,250	$260,596	$58,244	$215,984	$27,750	$49,001
5	Deferred SIT	($19,162)	($22,672)	($5,067)	($18,791)	($2,414)	($4,263)
6	Deferred FIT	($70,381)	($83,273)	($18,612)	($69,018)	($8,867)	($15,658)
7							
8	**Earnings**						
9	Amortization	$9,082	$8,544	$2,608	$9,323	$4,826	$3,360
10	DSIT	($790)	($743)	($227)	($811)	($420)	($292)
11	DFIT	($2,902)	($2,730)	($833)	($2,979)	($1,542)	($1,074)
12	Total Expense	$5,390	$5,071	$1,548	$5,533	$2,864	$1,994
13	Earnings	($5,390)	($5,071)	($1,548)	($5,533)	($2,864)	($1,994)
14							
15	**Rate Base**						
16	Amortizable Balance - 12/31/11	$185,434	$227,843	$48,464	$181,023	$12,467	$45,361
17	Amortizable Balance - 12/31/12	$176,352	$219,299	$45,856	$171,699	$7,641	$42,001
18	Average Balance	$180,893	$223,571	$47,160	$176,361	$10,054	$43,681
19							
20	Deferred SIT - 12/31/11	($16,133)	($19,822)	($4,216)	($15,749)	($1,085)	($3,946)
21	Deferred SIT - 12/31/12	($15,343)	($19,079)	($3,989)	($14,938)	($665)	($3,654)
22	Average Balance	($15,738)	($19,451)	($4,103)	($15,343)	($875)	($3,800)
23							
24	Deferred FIT - 12/31/11	($59,256)	($72,807)	($15,487)	($57,846)	($3,984)	($14,495)
25	Deferred FIT - 12/31/12	($56,353)	($70,077)	($14,653)	($54,867)	($2,442)	($13,421)
26	Average Balance	($57,804)	($71,442)	($15,070)	($56,356)	($3,213)	($13,958)
27							
28	Net Year End Balance	$104,656	$130,143	$27,213	$101,895	$4,535	$24,926
29							
30	Amortization begin date (a)	Mar-08	Mar-08	Apr-08	Apr-08	Nov-08	Dec-10
31	Amortization period (months)	291	366	268	278	69	175
32	Amortization as of 12/31/11	46	46	45	45	38	13
33	Amortization as of 12/31/12	58	58	57	57	50	25

(a) rounded to nearest full month

Delmarva Power & Light Company
Delaware Distribution
Amortization of Loss/Gain on Refinancings
12 Months Ending December 2012

(1) Line No.	(2) Item	(3) Tax Exempt Bonds Dec-10	(4) Tax Exempt Bonds Jun-11	(5) Tax Exempt Bonds Aug-12	(6) Total
1	Total Company	$171,299	$634,231	$548,903	$33,107,672
2	Electric Amount Refinanced	$143,891	$532,754	$461,079	$29,079,509
3	Delaware Electric Distribution %	39.22%	39.22%	39.22%	
4	Delaware Electric Distribution	$56,437	$208,955	$180,843	$11,405,478
5	Deferred SIT	($4,910)	($18,179)	($15,733)	($992,277)
6	Deferred FIT	($18,034)	($66,772)	($57,788)	($3,644,620)
7					
8	**Earnings**				
9	Amortization	$3,210	$14,008	$11,592	$636,460
10	DSIT	($279)	($1,219)	($1,009)	($55,372)
11	DFIT	($1,026)	($4,476)	($3,704)	($203,381)
12	Total Expense	$1,905	$8,313	$6,880	$377,707
13	Earnings	($1,905)	($8,313)	($6,880)	($377,707)
14					
15	**Rate Base**				
16	Amortizable Balance - 12/31/11	$52,959	$0	$0	$5,439,504
17	Amortizable Balance - 12/31/12	$49,750	$186,776	$169,250	$5,184,671
18	Average Balance	$51,355	$93,388	$84,625	$5,312,088
19					
20	Deferred SIT - 12/31/11	($4,607)	$0	$0	($473,237)
21	Deferred SIT - 12/31/12	($4,328)	($16,249)	($14,725)	($451,066)
22	Average Balance	($4,468)	($8,125)	($7,362)	($462,152)
23					
24	Deferred FIT - 12/31/11	($16,923)	$0	$0	($1,738,194)
25	Deferred FIT - 12/31/12	($15,898)	($59,684)	($54,084)	($1,656,762)
26	Average Balance	($16,410)	($29,842)	($27,042)	($1,697,478)
27					
28	Net Year End Balance	$29,524	$110,842	$100,442	$3,076,843
29					
30	Amortization begin date (a)	Dec-10	Jun-11	Aug-12	
31	Amortization period (months)	211	179	78	
32	Amortization as of 12/31/11	13	7	0	
33	Amortization as of 12/31/12	25	19	5	

(a) rounded to nearest full month

Schedule (JCZ-R)-9
Adjustment 35

Delmarva Power & Light Company
Delaware Distribution
OPEB Expense Adjustment
12 Months Ending December 2012

(1) Line No.	(2) Item	(3) Total Delmarva	
1	**Delmarva Power**		
2	OPEB Expense - 12 M/E December 2012	$5,953,903 (1)	
3			
4	OPEB Expense 2013 Actuary	$3,027,408 (2)	
5			
6	Difference		($2,926,495)
7			
8	Distribution Expense Ratio		92.81%
9			
10	Distribution Expense		($2,716,133)
11			
12	DE Distribution Allocation Factor		58.58%
13			
14	DE Distribution O&M Allocated Amount		($1,591,214)
15			
16	State Income Tax		$138,436
17	Federal Income Tax		$508,472
18	Expense Adjustment		($944,306)
19			
20	Earnings		$944,306
21			
22	***Reference:***		
23	(1) DPL OPEB Costs 12 M/E December 2012		
24	DPL Electric Expense Ratio		
25	DPL Electric OPEB Expense	$7,441,211	$ 2,997,119
26		40.28%	
27	Service Company OPEB Cost 12 M/E December 2012		
28	Service Company Expense Allocator		
29	Service Company OPEB Expense	$13,383,228	
30		88.71%	
31	Service Company System Allocator to DPL	$11,872,784	
32	Service Company OPEB Expense Allocated to DPL		
33		30.03%	
34	Electric Allocation Factor	$3,565,397	
35	Service Company OPEB Expense - Electric		2,956,783.64
36		82.93%	
37	Total Electric OPEB Expense 12 M/E December 2012		5,953,903 (1)
38			
39			
40	(2) DPL OPEB Costs Per Actuary 2013		
41	DPL Electric Expense Ratio		
42	DPL Electric OPEB Expense	$2,961,827	$ 1,192,944
43		40.28%	
44	Service Company OPEB Costs Per Actuary 2013		
45	Service Company OPEB Expense Allocator		
46	Service Company OPEB Expense	$8,303,295	
47		88.71%	
48	DPL System Allocator	$7,366,177	
49	Service Company OPEB Expense Allocated to DPL		
50		30.03%	
51	Electric Allocation Factor	$2,212,063	
52	Service Company OPEB Expense - Electric		$1,834,464
53		82.93%	
54	Total Electric OPEB Expense - Actuary 2013		$3,027,408 (2)

Schedule (JCZ-R)-10
Adjustment 33 & 34

Delmarva Power & Light Company
Delaware Distribution
Cash Working Capital - Interest Synchronization
12 Months Ending December 2012

(1) Line No.	(2) Item	(3) Revenue	(4) O&M	(5) Deprec/Amort	(6) Other Taxes	(7) SIT	(8) FIT	(9) Def Tax/ITC	(10) Total Expense	(11) Interest	(12) Earnings
1	Rate Change From Docket No. 11-528	$9,627,360	$79,426		$39,087	$827,270	$3,038,552		$3,984,335		$5,643,025
2	Weather Normalization	$279,310	$2,304		$1,134	$24,001	$88,155		$115,594		$163,716
3	Bill Frequency	$2,094,504	$17,280		$8,504	$179,979	$661,060		$866,822		$1,227,683
4	Year End Customers	$724,373	$5,976		$2,941	$62,245	$228,624		$299,785		$424,587
5	Regulatory Commission Exp Normalization		$143,811			($12,512)	($45,955)		$85,345		($85,345)
6	Injuries and Damages Exp Normalization		($43,605)			$3,794	$13,934		($25,878)		$25,878
7	Uncollectible Expense Normalization		($157,025)			$13,661	$50,177		($93,186)		$93,186
8	Wage and Fica Expense Adjustment		$1,876,165		$100,811	($171,997)	($631,743)		$1,173,236		($1,173,236)
9	Remove Employee Association Expense		($89,515)			$7,788	$28,605		($53,123)		$53,123
10	Proform Benefits Expense		$536,185			($46,648)	($171,338)		$318,199		($318,199)
11	Removal of Executive Incentive Compensation		($2,175,633)			$189,280	$695,224		($1,291,130)		$1,291,130
12	Removal of Certain Executive/Officer Compensation		(39,419)			$3,429	$12,596		($23,393)		$23,393
13	Storm Restoration Exp Normalization		($771,210)			$67,095	$246,440		($457,675)		$457,675
14	Reflect IRP Recurring costs		$576,916			($50,192)	($184,354)		$342,371		($342,371)
15	Amortize IRP Deferred Costs			$10,194		($887)	($3,258)		$6,050		($6,050)
16	Amortize RFP Deferred Costs			$5,102		($444)	($1,630)		$3,028		($3,028)
17	Proform AMI O&M Expenses		$2,195,985			($191,051)	($701,727)		$1,303,207		($1,303,207)
18	Proform AMI O&M Savings		($1,367,852)			$119,003	$437,097		($811,752)		$811,752
19	Proform AMI Depreciation & Amortization Expense			$2,801,468		($243,728)	($895,209)		$1,662,531		($1,662,531)
20	Amortize Dynamic Pricing Regulatory Asset Jan 2013 - Aug 2013			$336,629		($29,287)	($107,570)		$199,773		($199,773)
21	Amortize Dynamic Pricing Regulatory Asset Sept 2013 - Oct 2013			$54,744		($4,763)	($17,493)		$32,488		($32,488)
22	Proform Dynamic Pricing O&M Expenses		$750,288			($65,275)	($239,755)		$445,258		($445,258)
23	Proform Dynamic Pricing Amortization Expense			$1,235,592		($107,497)	($394,833)		$733,262		($733,262)
24	Amortize Direct Load Control Regulatory Asset Jan 2013 - Aug 2013			$157,235		($13,679)	($50,244)		$93,311		($93,311)
25	Amortize Direct Load Control Regulatory Asset Sept 2013 - Dec 2013			$502,460		($43,714)	($160,561)		$298,185		($298,185)
26	Annualization of Depreciation on Year-end Plant			$359,635		($31,288)	($114,921)		$213,425		($213,425)
27	Normalize Other Taxes				$188,971	($16,440)	($60,386)		$112,145		($112,145)
28	Proform Actual Reliability Closings January 13 - August 13			$926,618		($80,616)	($296,101)		$549,901		($549,901)
29	Proform Forecasted Reliability Closings September 13 - December 13			$416,839		($36,265)	($133,201)		$247,373		($247,373)
30	Amortization of Actual Refinancing Costs			$636,460		$0	$0	($258,753)	$377,707		($377,707)
31	Remove Qualified Fuel Cell Provider Project Costs		($142,865)			$12,429	$45,653		($84,783)		$84,783
32	Amortize Medicare Subsidy Deferred Costs			$36,836		($3,205)	($11,771)		$21,860		($21,860)
33	Remove Post-80 ITC Amortization					$0	$0	$255,733	$255,733		($255,733)
34	Recover Credit Facilites Expense		$337,108			($29,328)	($107,723)		$200,057		($200,057)
35	Removal of RPS Labor Charges		($69,317)			$6,031	$22,150		($41,136)		$41,136
36	Proform OPEB Expense		($1,591,214)			$138,436	$508,472		($944,306)		$944,306
37	Total	$12,725,546	$73,787	$7,479,811	$341,448	$475,626	$1,746,967	($3,020)	$10,114,619	$0	$2,610,928
38	Cash Working Capital		0.0954	0.0000	0.1986	0.1902	(0.0187)			(0.1072)	
39	Working Capital		$7,039	$0	$67,812	$90,464	($32,668)				$132,647
40											
41	Interest synchronization 1					$325,966	$1,197,270			$1,720,224	
42	Working capital		$7,039	$0	$67,812	$61,999	($22,389)			($184,408)	($69,947)
43											
44	Interest synchronization 2					$325,679	$1,196,214			$1,723,527	
45	Working capital		$7,039	$0	$67,812	$61,944	($22,369)			($184,762)	($70,336)
46											
47	Interest synchronization 3					$326,118	$1,197,826			$1,718,482	
48	Working capital		$7,039	$0	$67,812	$62,028	($22,399)			($184,221)	($69,742)
49											
50											
51		Interest Synchronization									
52	Per Books Interest Exp (COS)	$16,862,023		$16,862,023	$16,862,023	$16,862,023					
53	Adjusted Delaware Rate Base	$745,673,918 (1)		$745,806,564	$745,603,970	$745,603,581					
54	Weighted COD	0.0249		0.0249	0.0249	0.0249					
55	Proforma Interest	$18,567,281		$18,570,583	$18,565,539	$18,565,529					
56	Delaware IOCD	14,967		$14,967	$14,967	$14,967					
57	Total Proforma Interest	$18,582,247		$18,585,550	$18,580,506	$18,580,496					
58	Difference	$1,720,224		$1,723,527	$1,718,482	$1,718,473					
59											
60	SIT @ 8.7 %	($149,660)		($149,947)	($149,508)	($149,507)					
61	FIT @ 35 %	($549,698)		($550,753)	($549,141)	($549,138)					
62											
63	Earnings	$699,357		$700,700	$698,649	$698,645					

(1) Without Cash Working Capital Adjustment

Per Books Rate Base	$674,873,467
Amortize IRP Deferred Costs	$57,474
Amortize RFP Deferred Costs	$28,764
Amortize Dynamic Pricing Reg Asset Jan 13 - Aug 13	$2,896,702
Amortize Dynamic Pricing Reg Asset Sept 13 - Oct 13	$471,070
Amortize Direct Load Control Reg Asset Jan 13 - Aug 13	$1,353,012
Amortize Direct Load Control Reg Asset Sept 13 - Dec 13	$4,323,681
Annualization of Depreciation on Year-end Plant	($213,425)
Actual Reliability Closings Jan 13 - Aug 13	$39,876,047
Forecast Reliability Closings Sept 13 - Dec 13	$18,355,521
Actual Refinancings	$3,076,843
Amortize Medicare Subsidy Deferred Costs	$54,650
Recover Credit Facilites Expense	$520,111
Total Rate Base-w/o CWC	$745,673,918
CWC Adjustment	($69,742)
Total Rate Base	$745,604,175

Earnings Adj w/o Interest synch	$2,610,928
Earnings - per books	$29,988,586
Sub-total Earnings	$32,599,514
Interest synchronization	$698,645
Total Earnings	$33,298,159

Delmarva Power & Light Company
Delaware Distribution
January 2012 to December 2012 Test Period Reliability Closings
12 Months Ending December 2012

(1) Line No.	(2) Item		(3) $
1	Rate Base		
2	Plant in Service		
3	Reliability closings January 2012 - December 2012		$25,457,133
4	Retirements January 2012 - December 2012		($2,833,916)
5	Adjustment to Plant in Service		$22,623,217
6			
7	Depreciation reserve		
8	Retirements January 2012 - December 2012		($2,833,916)
9	Depreciation Expense		$296,364
10	Adjustment to Depreciation Reserve		($2,537,552)
11			
12	Net Plant		$25,160,769
13			
14	CWIP		($25,457,133)
15			
16	Deferred Taxes		($2,466,912)
17	Adjustment to Deferred Taxes for NOL Offset		$2,466,912
18			
19	Total Rate Base		($296,364)
20			
21	Earnings		
22	Depreciation Expense		
23	Reliability closings January 2012 - December 2012		$666,977
24	Retirements January 2012 - December 2012		($74,249)
25	Adjustment to Depreciation Expense		$592,728
26			
27	Deferred Taxes		
28	State Income Tax		($1,107,385)
29	Federal Income Tax		($4,067,413)
30	Deferred State Income Tax		$1,055,818
31	Deferred Federal Income Tax		$3,878,007
32			
33	Operating Expense		$351,755
34			
35	Operating Income		($351,755)
36			
37	AFUDC		($523,793)
38			
39	Total Earnings		($875,547)
	Tax Depreciation		
	Basis		$25,457,133
	Rate		50.00%
	Tax Depreciation exp		$12,728,566
	SIT	8.70%	($1,107,385)
	FIT	35.00%	($4,067,413)
	Deferred Tax Basis		
	Tax Deprec Exp		$12,728,566
	Book Deprec Exp		$592,728
	Tax over Book		$12,135,838
	DSIT	8.70%	$1,055,818
	DFIT	35.00%	$3,878,007

Delmarva Power
Delaware Distribution
2012 Actual Reliability Closings

(1) Line No.	(2) WBS Element	(3) Reliability Project Delaware District Location and Description	(4) January	(5) February	(6) March	(7) April	(8) May	(9) June	(10) July	(11) August	(12) September	(13) October	(14) November	(15) December	(16) 2012 TOTAL
1	UDLBRM21N	Salisbury & Centerville Districts Feeder Reliability Equipment & Design Improvements	$0	$0	$0	$0	$0	$0	$0	$0	$0	$8,389	$0	$0	$8,389
2	UDLBRM4E	Salisbury & Centerville Districts Deteriorated Pole Replacement	$0	$659	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$659
3	UDLBRM4F	Salisbury & Centerville Districts Priority Circuit Improvements	$0	$0	$0	$0	$0	$0	$10,047	$0	$0	$4,198	$0	$0	$14,245
4	UDLNRM21N	North East District Feeder Reliability Equipment & Design Improvements	$18	$0	$7,519	$0	$0	$0	($5,460)	$0	$0	$0	$0	$0	$2,077
5	UDSBRD71	Salisbury & Centerville Districts Emergency Repair/Replacements Distribution Sub Equipment	$1,364	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,364
6	UDSBRD8F	Salisbury & Centerville District Distribution Substation Bushing Replacements	$2,049	$683	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,732
7	UDSBRD8G	Salisbury & Centerville District Regional Spare Distribution Transformer	$0	$0	$0	$0	$0	$0	$0	$647,982	$0	$0	$0	$0	$647,982
8	UDSBRD9D	IR: Salisbury & Centerville Districts Distribution Substation Breaker Replacements	$0	$0	$0	$0	$0	$0	$0	$0	$0	$308,705	$26,720	$8,032	$343,457
9	UDSNRD8A	North East District Emergency Repair/Replacements Distribution Sub Equipmen	$0	$0	$0	$0	$0	$0	$0	$1,258	$0	$0	$0	$0	$1,258
10	UDSNRD8G	North East District Spare Distribution Transformer	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,085,400	$0	$0	$1,085,400
11	UDSNRD8Q	North East District Distribution Substation Containment for SPCC	$0	$0	$331,629	$0	$0	$0	$19,925	$403	$0	$9,382	$2,121	$670	$364,131
12	UDSNRD8Q1	North East District Distribution Breaker Replacement for SPCC	$0	$0	$0	$38,204	$0	$0	$0	$0	$0	$0	$0	$0	$38,204
13	UDSNRD9D	IR: North East District Distribution Substation Breaker Replacements	$16,017	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,017
14	RDLNUP121	Distribution Cable Replacements - Christiana	$10,750	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$10,750
15	UDLBLM7M	MI Feeder Load Relief	$0	$27,718	$8,678	$116,172	$308,453	$48,285	$37,646	$156,946	$0	$9,601	$0	$0	$713,500
16	UDLBRDA1D	Millsboro District, Distribution Automation Equipment Installation	$513	$0	$0	$0	$52,149	$572,351	($2,162)	$0	$0	$7,353	$30,432	$0	$660,636
17	UDLBRM3M1	MI Emergency Replacement	$9,546	$70,067	$193,283	$11,357	$186,797	$140,395	$319,289	$212,872	($38,058)	$81,499	$252,874	$78,262	$1,518,182
18	UDLBRM4MA	MI Misc Distrib Improvment	$17,837	$16,256	$98,615	$104,711	$47,995	$35,949	$14,038	$6,720	$8,952	$135,527	$5,909	$7,946	$500,454
19	UDLBRM4MC	MI - Replace Deteriorated BD Cable	$34,415	$48,108	$27,382	$21,080	$65,506	$86,099	$66,254	$71,528	$119,697	$106,767	$27,211	$66,835	$740,882
20	UDLBRM4MD	MI-Planned BD Cable Replacement	$108,003	$486,810	$556,228	$474,443	$652,971	($99,741)	$276,536	$44,970	$100,269	$144,329	$284,255	$296	$3,029,370
21	UDLBRM4ME	Millsboro District Deteriorated Pole Replacement	$0	$0	$8,745	$21,198	$14,712	$0	$2,025	($81)	$10,913	$0	$1,855	$0	$59,367
22	UDLBRM4MF	Millsboro District Priority Circuit Improvements	$256,435	$0	$0	$0	$153,965	($5,746)	$352,846	$1,642	$0	$2,516	$0	$240	$761,898
23	UDLBRM4MJ	MI Recloser Replacement	$0	$0	$0	$0	$0	$0	$55,510	$11,430	$38,905	$83,810	$78,302	$280,594	$548,552
24	UDLBRM4MM	Millsboro District Customer Reliability Improvements	$105	$24,722	$0	$275,763	$97,271	$2,413	($9,077)	$157,657	($0)	$94,299	$21,927	$50,130	$715,210
25	UDLBRM63M	Millsboro District Feeder Reliability Equipment & Design Improvements	$4,262	$37,777	$14,419	$0	$110,276	$1,633	$21,316	$11,060	$107,891	$1,645	$12,692	$473,451	$796,421
26	UDLBRM8BA	Millsboro District Greenwood: 4-25kV Conversion	$0	$0	$221,703	$408,853	$765	$0	$0	$0	$0	$0	$171,845	$0	$803,166
27	UDLBRM8BB	Millsboro District Wyoming - Convert to 25kV Circuit 2233	$0	$276,786	$3,899	$405,883	$0	$107,548	$0	($0)	$217,352	$0	$0	$0	$1,011,469
28	UDLNLM7C	Feeder Load Relief - Christiana	$0	$0	$0	$14,148	$686,099	$1,885	$0	$0	$0	$41,397	$0	$0	$743,529
29	UDLNRM3C1	Emergency Restoration - Christiana	$571,043	$671,330	$42,037	($137,892)	$1,114,018	$584,889	$424,218	$47,400	$168,940	$279,182	$9,762	$742,650	$4,517,578
30	UDLNRM4CA	Christiana Misc. Improvement Blanke	($69,003)	($102,581)	$45,122	$19,084	$3,693	$5,469	($2,639)	$25,455	$128,926	$844,142	$44,300	$16,700	$958,667
31	UDLNRM4CC	Christiana - Replace Deteriorated C	$55,161	$28,953	$0	$66,134	$2	$0	$0	$623,697	$55,395	$0	$89,084	$28,019	$946,445
32	UDLNRM4CD	Christiana - Planned URD Cable Replacement	$70,578	($5,506)	$0	$0	$0	$85,177	$0	$0	$0	$0	$0	$0	$150,249
33	UDLNRM4CE	Christiana District-Distrib Pole Repl\Reinf	$141,344	$28,973	$7,386	$27,511	$62,295	$38,198	$9,330	$53,804	$24,744	$163,590	$43,858	$61,939	$662,971
34	UDLNRM4CF	Priority Circuit Imprts - Christiana	$57,085	$5,561	$3,023	$14,526	$218,662	$438,019	$0	$266,144	$1,956,776	$116,081	$258,843	$6,067	$3,340,788
35	UDLNRM4CM	Christiana Customer Reliability Imp	$8,429	$6,464	$20,249	$69,469	$16,797	$17,885	$4,291	$19,846	$7,164	$31,138	$14,883	$84,909	$301,524
36	UDLNRM4CR	Wilmington Network Upgrade	$0	$0	$0	$0	$0	$49,962	$0	$872,340	$0	$0	$0	($48,716)	$873,586
37	UDLNRM63C	Christiana District Feeder Reliability Equipment & Design Improvements	$165,170	$33,710	$163,027	$278,298	$103,141	$485	$101,267	$81,065	$188,422	$242,922	$0	$311,346	$1,668,853
38	UDLNRM8SG	Brandywine River Crossing Cable Upgrade	$0	$0	$0	$0	$0	$375,522	$0	$0	$0	$0	$0	$0	$375,522
39	UDLNRM9SB	CH Replace Steel Poles 4th St Wilm	$37,316	$8,242	$0	$0	$0	$0	$8,758	$0	$0	$43,615	$0	$0	$97,931
40	UDLNRM9SC	Montchanin Sub: Relocate 34kV and 12kV Circuits	$14,991	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$318,337	$333,328
41	UDSBLM72B	Cedar Neck T1: Upgrade Bus	$0	$0	$0	$0	$0	$0	$0	$0	$35,278	$808	$0	$0	$36,086
42	UDSBRD71D	Millsboro District Emergency Repair/Replacements Distribution Sub Equipmen	$0	$0	$0	$0	$0	$131,387	$0	$0	$11,592	$53,339	$0	$1,229	$197,547
43	UDSBRD8AD	Bay Dist Sub Planned Impvts - DE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$10,847	$0	$10,847
44	UDSBRD8ED	Millsboro District Distribution Substation Battery Replacements	$41,063	$0	$2,304	$0	$0	$0	$0	$5,473	$0	$52,515	$1,889	$248	$103,492
45	UDSBRD8FD	Millsboro District Distribution Substation Bushing Replacements	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$25,817	$0	$25,817
46	UDSBRD8G	Millsboro District - PHI Spare Transformers	$0	$0	$0	$0	$0	$0	$647,982	$0	$0	$0	$0	$0	$647,982
47	UDSBRD8G3	Millsboro District purchase 138/25kV Mobile Unit	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$894,579	$0	$894,579
48	UDSBRD8ID	Millsboro District Distribution Substation Control House Roofs Replacements)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$73,574	($2,105)	$71,469
49	UDSBRD8VD	Millsboro District, Installation Cyber Security Improvements	$0	$0	$0	$0	$0	$0	$0	$0	$49,049	$0	$0	$0	$49,049
50	UDSBRD9DD	Replace Deteriorated Dist Brkrs DE	$0	$50,016	$3,225	$0	$0	$0	$0	$0	$26,300	$254,333	$411,305	$155,517	$900,695
51	UDSNRD71D	Christiana District Emergency Repair/Replacements Distribution Sub Equipment	$0	$0	$0	$0	$0	$29,707	$0	$89,407	$5,120	($319)	$3,508	$10,834	$138,257
52	UDSNRD8AD	NC DE: Dist Sub Planned Impvts	$0	$0	$0	$0	$0	$0	$0	$0	$0	$18,139	$14	$0	$18,153
53	UDSNRD8ED	Christiana District Distribution Substation Battery Replacements	($372)	$0	$0	$637	$0	$0	$0	$0	$0	$72,083	$0	$9,861	$82,209
54	UDSNRD8FD	Christiana District Distribution Substation Bushing Replacements	$28,952	$41	$0	$1,437	$0	$16,151	$59	$40,902	$154,552	$115,235	$260	$9,079	$366,667
55	UDSNRD8MD	Scada/RTU Upgrade NC DE Dist Sub	$0	$0	$0	$0	$0	$0	$0	$44,719	$0	$0	($44,719)	$0	$0
56	UDSNRD8G	Christiana District Spare Distribution Transformer	$0	$0	$0	$0	$0	$0	$0	$0	$1,550,571	$0	$0	$0	$1,550,571
57	UDSNRD8SC	Christiana District Bear Substation: Replace Failed T-3 Unit	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,534,594	$0	$0	$1,534,594
58	UDSNRD8SE	Christiana District Silverbrook substation - Replace Failed #3 Transformer	$0	$0	$0	$0	$2,049,651	$0	$3,845	$0	$0	$0	$0	$0	$2,053,496
59	UDSNRD9DD	IR: NC DE Brkr Repl Dist Sub	$315,446	$20,695	$0	$0	$0	$0	$183,658	$0	$0	$109,978	$131	($4,848)	$625,060
60	UDSNRD9FD	IR: NC DE Replace/Upgrade PTs Dist Subs	$857	$0	$0	$0	$0	$0	$0	$0	$17,562	$0	$517	$10,901	$29,837
61	UDSNRD9SDD	NC DE Add Sub Condition Monitoring Points	$0	$0	$0	$0	$159,453	$0	$0	$4,984	($17)	$0	$0	$0	$164,419
62	UDSNRD9SG	Christiana District MONTCHANIN SUB INSTALL 34.5-12kV XFRM	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$4,133,164	$4,133,164
63	UDSNRDA1	Distribution Automation: NC Reg Substations	$0	$0	$0	$0	$0	($9,790)	$9,990	($260)	($5)	$0	$0	$0	($66)
64	UDSNRDA1C	Christiana District Distribution Automation: Christiana Substations	$0	$0	$0	$355,065	$0	($4,765)	$0	$4,765	$0	$0	$0	$0	$355,065
65	UORBOBR1M	Millsboro District Distribution Automation Communication Work - Collector to Data Network	$0	$0	$0	$0	$46,808	$4,823	$0	$0	$0	$0	$0	$0	$51,630
66	UORBODA1M	Millsboro District Distribution Automation Communication Work - Install Radios in Line	$0	$0	$0	$0	$0	$45,429	$0	$0	$0	$0	$0	$0	$45,429
67		TOTALS	$1,899,373	$1,735,485	$1,758,475	$2,586,083	$6,151,479	$2,699,617	$2,549,492	$3,504,129	$4,946,290	$6,056,189	$2,754,593	$6,811,585	$43,452,791

Delmarva Power
Delaware Distribution Reliability Adjustment
12 m/e December 2012

		Amount	Months not in 13 mos average	Factor to include in 13 mos average	Adjustment
Reliability Plant Closings					
January 2012	Actual	1,899,373	1	0.076923077	146,106
February 2012	Actual	1,735,485	2	0.153846154	266,998
March 2012	Actual	1,758,475	3	0.230769231	405,802
April 2012	Actual	2,586,083	4	0.307692308	795,718
May 2012	Actual	6,151,479	5	0.384615385	2,365,953
June 2012	Actual	2,699,617	6	0.461538462	1,245,977
July 2012	Actual	2,549,492	7	0.538461538	1,372,803
August 2012	Actual	3,504,129	8	0.615384615	2,156,387
September 2012	Actual	4,946,290	9	0.692307692	3,424,355
October 2012	Actual	6,056,189	10	0.769230769	4,658,607
November 2012	Actual	2,754,593	11	0.846153846	2,330,810
December 2012	Actual	6,811,585	12	0.923076923	6,287,617
Total		43,452,791			25,457,133
Plant Retirements					
January 2012	Actual	(168,089)	1	0.076923077	(12,930)
February 2012	Actual	(300,090)	2	0.153846154	(46,168)
March 2012	Actual	(270,920)	3	0.230769231	(62,520)
April 2012	Actual	(324,138)	4	0.307692308	(99,735)
May 2012	Actual	(178,390)	5	0.384615385	(68,612)
June 2012	Actual	(620,482)	6	0.461538462	(286,376)
July 2012	Actual	(669,828)	7	0.538461538	(360,677)
August 2012	Actual	(320,990)	8	0.615384615	(197,532)
September 2012	Actual	(614,592)	9	0.692307692	(425,487)
October 2012	Actual	(396,039)	10	0.769230769	(304,646)
November 2012	Actual	(205,904)	11	0.846153846	(174,226)
December 2012	Actual	(861,258)	12	0.923076923	(795,008)
Total		(4,930,722)			(2,833,916)
AFUDC					
January 2012	Actual	80,784			
February 2012	Actual	86,227			
March 2012	Actual	43,256			
April 2012	Actual	53,146			
May 2012	Actual	15,761			
June 2012	Actual	51,139			
July 2012	Actual	66,156			
August 2012	Actual	(65,396)			
September 2012	Actual	69,877			
October 2012	Actual	55,782			
November 2012	Actual	77,139			
December 2012	Actual	(10,078)			
Total		523,793			